

C. DUKES SCOTT
EXECUTIVE DIRECTOR

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DAN FARNETT
CHIEF OF STAFF

August 10, 2005

VIA HAND DELIVERY

Mr. Charles L. A. Terreni
Chief Clerk and Administrator
Public Service Commission of SC
100 Executive Center, Suite 100
Columbia, South Carolina 29210

**Re: SCE&G Application for Increases in Gas Rates and Charges Informational Filing
Concerning Comprehensive Settlement of All Claims by of All Parties
Docket No.: 2005-113-G**

Dear Mr. Terreni:

We are pleased to inform you that the parties to SCE&G's Application for an Increase in Gas Rates and Charges, Docket No. 2005-113-G have entered into a comprehensive settlement of all claims and matters related to this filing. A copy of the settlement agreement and exhibits are attached to this letter.

The settlement agreement will be sponsored at the hearing on September 19, 2005 by all parties to the proceeding. In addition, Mr. Jay Jashinsky, Director of Auditing of the Office of Regulatory Staff will testify in support of the settlement and will be available to answer questions from the Commission. Pursuant to the terms of the settlement agreement, Mr. Jashinsky will be the only witness to testify and will testify without cross-examination by other parties. Mr. Jashinsky will be available for questions from the Commission and any follow up examination that may be appropriate in light of matters raised.

In addition, the parties have stipulated to enter into the record by agreement the testimony of SCE&G's Vice President of Finance, Mr. Jimmy E. Addison, which is attached to the settlement agreement.

In satisfaction of the Commission's prefiling requirement, we are providing with this letter an original and 25 copies of the settlement agreement and exhibits so that the attached testimony may be prefiled in this docket.

Mr. Charles L. A. Terreni

August 10, 2005

Page 2 of 2

The parties to this docket plan to appear before the Commission on September 19, 2005 to formally place this settlement agreement into the record of this proceeding.

Sincerely,



C. Lessie Hammonds

Enclosures

cc: Chairman Randy Mitchell (w/enclosures)
Commissioner Mignon L. Clyburn (w/enclosures)
Commissioner Elizabeth B. Fleming (w/enclosures)
Commissioner G. O'Neal Hamilton (w/enclosures)
Commissioner John E. Howard (w/enclosures)
Commissioner C. Robert Moseley (w/enclosures)
Commissioner David A. Wright (w/enclosures)
Scott Elliott, Esquire (w/enclosures)
Paige Gossett, Esquire (w/enclosures)
Mitchell Willoughby, Esquire (w/enclosures)
Catherine D. Taylor, Esquire (w/enclosures)
Mr. Frank Knapp, Jr. (w/enclosures)
David A. McCormick, Esquire (w/enclosures)
Patricia Morrison, Esquire (w/enclosures)
Belton Zeigler, Esquire (w/enclosures)

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2005-113-G

2005 APR 10 PM 11:18
CLERK OF COURT
SOUTH CAROLINA

IN RE:

SCE&G Company – Application Seeking
Approval of Gas Rates, Terms and
Conditions

CERTIFICATE OF SERVICE

This is to certify that I, Rena Grant, an employee with the Office of Regulatory Staff, have this date served one (1) copy of the **Settlement Agreement and Exhibits** in the above-referenced matter to the person(s) named below:

VIA HAND DELIVERY

Chairman Randy Mitchell
Public Service Commission of SC
100 Executive Center, Suite 100
Columbia, South Carolina 29210

Commissioner Mignon L. Clyburn
Public Service Commission of SC
100 Executive Center, Suite 100
Columbia, South Carolina 29210

Commissioner Elizabeth B. Fleming
Public Service Commission of SC
100 Executive Center, Suite 100
Columbia, South Carolina 29210

Commissioner G. O'Neal Hamilton
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Commissioner John E. Howard
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Commissioner C. Robert Moseley
Public Service Commission of SC
100 Executive Center, Suite 100
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Commissioner David A. Wright
Public Service Commission of SC
100 Executive Center, Suite 100
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VIA U.S. MAIL

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Columbia, SC 29205

Paige Gossett, Esquire
Willoughby & Hoefer, P.A.
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Columbia, SC 29202

David A. McCormick, Esquire
Department of Defense & Federal Executive Agencies
US Army Legal Services Agency
901 North Stuart Street, Room 713
Arlington, VA 22203-1837

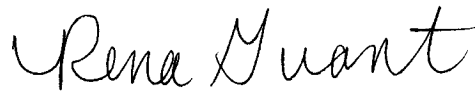
Catherine D. Taylor, Esquire
SCANA Corporation
Legal Department
1426 Main Street, 13th Floor
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Patricia Morrison, Esquire
SCANA Corporation
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Mitchell Willoughby, Esquire
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Columbia, SC 29202

Belton T. Zeigler, Esquire
Haynsworth Sinkler & Boyd, P.A.
Post Office Box 11889
Columbia, SC 29211

Frank Knapp, Jr.
118 East Selwood Lane
Columbia, SC 29212

A handwritten signature in cursive script that reads "Rena Grant". The signature is written in black ink and is positioned above a horizontal line.

Rena Grant

August 10, 2005
Columbia, South Carolina

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2005-113-G

August __, 2005

SC Public Service Commission
2005 AUG 12 PM 11:18

IN RE:)	
)	
Application of South Carolina)	
Electric & Gas Company for)	SETTLEMENT AGREEMENT
Adjustments in the Company's)	
Natural Gas Rate Schedules and Tariffs)	
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This Settlement Agreement is made by and among the Office of Regulatory Staff ("ORS"), South Carolina Energy Users Committee ("SCEUC"), the United States Department of Defense ("DOD"), Frank Knapp, Jr. ("Knapp"), and South Carolina Electric & Gas Company ("SCE&G" or "the Company") (collectively referred to as the "Parties" or sometimes individually as "Party").

WHEREAS, the Company has prepared and filed an Application seeking certain changes in its natural gas rates, charges, terms and conditions of service, and tariffs;

WHEREAS, the above-captioned proceeding has been established by the South Carolina Public Service Commission ("Commission") pursuant to the procedure established in § 58-5-240 (Supp. 2004), and the Parties to this Settlement Agreement are parties of record in the above-captioned docket. There are no other parties of record to the above-captioned proceeding;

WHEREAS, the Company has elected to have the terms of S.C. Code Ann. § 58-5-400 *et seq.* ("Natural Gas Rate Stabilization Act") apply to its rates and charges for gas distribution service;

WHEREAS, since the filing of the Application, ORS has propounded numerous discovery demands to SCE&G, and the Company has prepared in response thereto hundreds of pages of information related to the matters at issue in this docket and has provided those responses to ORS and all other Parties;

WHEREAS, ORS has audited the books and records of the Company relative to the matters raised in the Application;

WHEREAS, the Parties have varying legal positions regarding the issues in this case;

WHEREAS, the Parties have engaged in discussions to determine if a settlement of the issues would be in their best interests;

WHEREAS, following those discussions the Parties have each determined that their interests and the public interest would be best served by stipulating to a comprehensive settlement of all issues pending in the above-captioned case under the terms and conditions set forth herein;

WHEREFORE, the Parties hereby stipulate and agree to the following terms, which, if adopted by the Commission in its Order on the merits of this proceeding, will result in rates and terms and conditions of natural gas service which are just, reasonable, nondiscriminatory, and supported by the evidence of record of this proceeding, and which will allow the Company the opportunity to earn a reasonable rate of return.

1. The Parties agree that no evidence will be offered in the proceeding by the Parties other than: (1) the Application filed by the Company, and (2) this Settlement Agreement with Exhibits A-D attached hereto.

2. The Parties stipulate and agree to the testimony of Jay Jashinsky and Jimmy Addison attached hereto as Exhibits A and B respectively, without objection, change, amendment, or cross-examination, and in the case of Mr. Addison, without his taking the stand.

3. The Parties stipulate and agree that the accounting exhibits prepared by ORS and attached hereto as Exhibit C fairly and reasonably set forth the Company's operating expenses, pro forma adjustments, depreciation rates, rate base, return on equity, revenue requirement, and rate of return on rate base.

4. The Parties stipulate and agree that the tariffs attached hereto as Exhibit D, including the rate schedules and terms and conditions of service, are fair, just, and reasonable. The Parties further stipulate and agree that these tariffs and rates are reasonably designed to allow the Company the opportunity to recover the revenue required to earn a fair return on its assets and to provide service to its natural gas customers at rates and terms and conditions of service that are fair and reasonable.

5. ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code § 58-4-10(B) (added by Act 175). S.C. Code § 58-4-10(B)(1) through (3) reads in part as follows:

- ... 'public interest' means a balancing of the following:
- (1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
 - (2) economic development and job attraction and retention in South Carolina; and
 - (3) preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of

utility facilities so as to provide reliable and high quality utility services.

ORS believes the agreement reached among the Parties serves the public interest as defined above. The terms of this Settlement Agreement balance the concerns of the using public while preserving the financial integrity of the Company. ORS also believes the Settlement Agreement promotes economic development within the State of South Carolina. All Parties stipulate and agree to these findings.

6. As a compromise to positions advanced by ORS, SCEUC, DOD, Knapp, and SCE&G, all Parties stipulate and agree to the proposal as outlined below. In its Application, SCE&G has requested an increase in annual revenues of \$28,482,732. The Parties agree for purposes of this settlement that this proposed revenue increase shall be reduced as noted on the following table:

CALCULATION OF REVISED TOTAL ANNUAL INCREASE IN REVENUE

\$28,482,732.00	Requested revenue requirement
-\$3,317,908.00	Reduction in ROE (150 basis points from 11.75% to 10.25%)
-\$1,770,163.00	O&M expenses
-\$13,837.00	Depreciation and amortization expenses
-\$221,253.00	Taxes other than income
-\$268,635.00	Interest on customer deposits
-\$33,097.00	Reduction resulting from adjustments to rate base
<hr/>	
\$22,857,839.00	Total annual increase in revenue

7. In its Application, the Company requested a return on equity of 11.75%. While the Company believes that this requested return on equity is appropriate and fair, it nonetheless recognizes the value of resolving this proceeding by settlement rather than by litigation and, therefore, along with the other Parties, stipulates and agrees for purposes of settlement in this

case that a return on equity of 10.25% is just and reasonable under the specific circumstances of this case in the context of a comprehensive settlement.

8. The Parties stipulate and agree that the accounting and pro forma adjustments and depreciation rates reflected on Exhibit C are fair and reasonable, and should be adopted. The Parties further stipulate and agree that the Company will monitor by quarter its expenses related to pipeline integrity and will provide that information to ORS within 45 days of the end of each quarter.

9. As a compromise to positions advanced by ORS, SCEUC, DOD, Knapp, and SCE&G, all Parties further stipulate and agree to the conclusion of witness Addison on behalf of SCE&G in his testimony attached hereto as Exhibit B that a 10.25% return on equity is just and reasonable under the circumstances of this case and in the context of a comprehensive settlement. This position is set out immediately below and is hereby adopted, accepted and acknowledged as the agreement of the Parties:

In the context of the present settlement agreement, which disposes of all issues in the case, rates set based on a 10.25% Return on Equity can provide investors the opportunity to earn a reasonable return on the capital they invest in the Company.

(Ex. B at 3).

10. The Parties further stipulate and agree that the stipulated testimony of record, the Application, and this Settlement Agreement conclusively demonstrate the following: (i) the proposed accounting and pro forma adjustments and depreciation rates shown on Exhibit C are fair and reasonable and should be adopted by the Commission for ratemaking and reporting purposes; (ii) a return on common equity of 10.25%, which yields a fair rate of return for the Company of 8.43%, and an annual increase in revenues of approximately \$22.9 million, is fair,

just, and reasonable when considered as a part of this stipulation and settlement agreement in its entirety; (iii) SCE&G's rates as proposed in this Settlement Agreement are fairly designed to equitably and reasonably recover the revenue requirement and are just and reasonable and should be adopted by the Commission for bills rendered by the Company on and after Cycle 1 of November 2005.

11. The Parties further agree and stipulate that: (i) SCE&G shall maintain its market-based pricing flexibility under the Interruptible Sales Program – Rider ("ISP-R") and its proposed accounting of the margin revenues from its ISP-R is reasonable and should be adopted by the Commission; (ii) SCE&G's proposal to collect and amortize Environmental Clean-up Costs ("ECC") through base rates is reasonable and should be adopted by the Commission; (iii) SCE&G's proposal to account for revenue generated by the future release of SCE&G's upstream transportation and storage assets at such a time as its upstream supplier unbundles its merchant service is reasonable and should be adopted by the Commission; (iv) SCE&G's requested depreciation rates set forth in Exhibit C are reasonable and should be adopted by the Commission and that the Company should be permitted to record depreciation going forward based on the depreciation rates associated with individual plant accounts as set forth in Exhibit C; (v) the tariffs, including rates and terms and conditions, attached hereto as Exhibit D are just and reasonable, reasonably designed, and should be approved and adopted by the Commission.

12. The Parties agree to advocate that the Commission accept and approve this Settlement Agreement in its entirety as a fair, reasonable and full resolution of the above-captioned proceeding and to take no action inconsistent with its adoption by the Commission. The Parties further agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission. The

Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

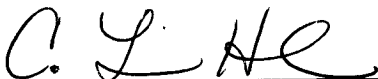
13. The Parties agree that signing this Settlement Agreement will not constrain, inhibit, impair, or prejudice their arguments or positions held in other collateral proceedings. If the Commission should decline to approve the agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement without penalty or obligation.

14. This Settlement Agreement shall be interpreted according to South Carolina law.

15. The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement by affixing its signature or by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement. The Parties agree that in the event any Party should fail to indicate its consent to this Settlement Agreement and the terms contained herein, then this Settlement Agreement shall be null and void and will not be binding on any Party.

WE AGREE:

Representing the Office of Regulatory Staff



Florence P. Belser, Esquire

Shannon Bowyer Hudson, Esquire

C. Lessie Hammonds, Esquire

Office of Regulatory Staff

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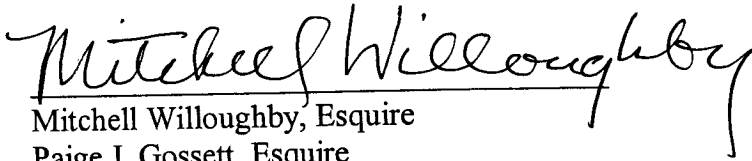
E-mail: fbelser@regstaff.sc.gov

shudson@regstaff.sc.gov

lhammonds@regstaff.sc.gov

WE AGREE:

Representing South Carolina Electric & Gas Company



Mitchell Willoughby, Esquire

Paige J. Gossett, Esquire

Willoughby & Hoefer, P.A.

Post Office Box 8416

1022 Calhoun Street, Suite 302

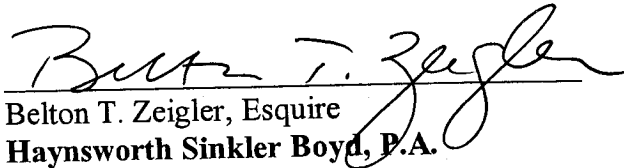
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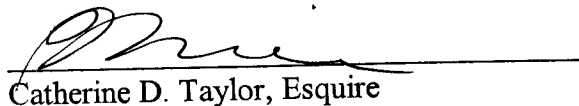
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Catherine D. Taylor, Esquire

Patricia Banks Morrison, Esquire

South Carolina Electric & Gas Company Corporation

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Columbia, South Carolina 29201

Phone: (803) 217-9356

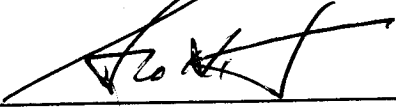
Fax: (803) 217-7931

E-mail: cdtaylor@scana.com

tmorrison@scana.com

WE AGREE:

Representing South Carolina Energy Users Committee

A handwritten signature in black ink, appearing to read 'Scott A. Elliott', is written over a horizontal line.

Scott A. Elliott, Esquire
Elliott & Elliott, P.A.
721 Olive Street
Columbia, South Carolina 29205
Phone: 803-771-0555
Fax: 803-771-8010
Email: selliott@elliottlaw.us

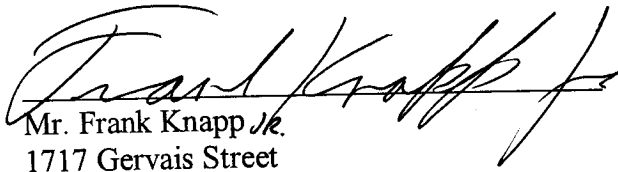
WE AGREE:

Representing Department of Defense & Federal Executive Agencies

A handwritten signature in cursive script, reading "David A. McCormick". The signature is written in dark ink and is positioned above a horizontal line.

David A. McCormick, Esquire
General Attorney, Regulatory Law Office
U.S. Army Legal Services Agency
901 North Stuart Street, Room 713
Arlington, Virginia 22203-1837

I AGREE:

A handwritten signature in black ink, appearing to read "Frank Knapp", written over a horizontal line.

Mr. Frank Knapp *fk*

1717 Gervais Street

Columbia, South Carolina 29201

Phone: (803) 765-2210

E-mail: fknappp@knappagency.com

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.

A. My name is Jay R. Jashinsky. My business address is 1441 Main Street, Suite 300, Columbia, South Carolina. I am employed by the South Carolina Office of Regulatory Staff as the Director of Auditing.

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND YOUR BUSINESS EXPERIENCE.

A. I received a BS Degree in Business Administration with a major in Accounting from the University of South Carolina in 1977. I am licensed as a Certified Public Accountant, certified in the State of South Carolina. I have more than twelve years experience conducting audits in accordance with generally accepted auditing standards, generally accepted government auditing standards and auditing standards prescribed by the U.S. Office of Management and Budget. I also have six years experience as an officer in the U.S. Navy and nine years experience in the management and execution of Federal government contracts with the Naval Sea Systems Command.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY INVOLVING SOUTH CAROLINA ELECTRIC & GAS COMPANY?

A. The purpose of my testimony is to set forth my findings resulting from the ORS Staff's review of the Company's application in this docket. These findings and recommendations are set forth below and in the report of the Audit Department with attached exhibits.

1 **Q. IN CONNECTION WITH YOUR REVIEW, DID YOU PREPARE, OR**
2 **CAUSE TO BE PREPARED ANY EXHIBITS?**

3 A. Yes, in addition to this, Settlement Agreement Exhibit A, the ORS Audit staff has
4 prepared pages 1 through 10 of Settlement Agreement Exhibit C in connection with
5 this review and has examined without exception the schedule of proposed
6 depreciation rates included in Settlement Agreement Exhibit C as page 11. ORS
7 noted that the rates for common plant were omitted from this schedule as there were
8 no changes proposed to those rates.

9 **Q. PLEASE EXPLAIN THE CONTENTS OF SETTLEMENT AGREEMENT**
10 **EXHIBIT C.**

11 A. ORS Settlement Agreement Exhibit C - Page 1 provides Operating Experience,
12 Rate Base, and Rates of Return for the test year ending December 31, 2004, on a
13 per book and as adjusted basis for SCE&G's Gas Operations, the details of
14 accounting and pro forma adjustments that the Company and ORS have made for
15 known and measurable changes to test year operations, details of the Weighted Cost
16 of Capital used to calculate SCE&G's rates of return, SCE&G's condensed
17 consolidated balance sheet as of December 31, 2004, its condensed consolidated
18 statement of income for the year then ended, and SCE&G's schedule of proposed
19 depreciation rates.

20 **Q. WOULD YOU EXPLAIN THE FORMAT OF PAGE 1 OF SETTLEMENT**
21 **AGREEMENT EXHIBIT C?**

22 A. Column (1) shows the Company's per book balances as of December, 31, 2004.

1 Column (2) shows the ORS's accounting and pro forma adjustments designed to
2 normalize the Company's per book operations.

3 Column (3) shows normalized operations after accounting and pro forma
4 adjustments.

5 Column (4) shows the effect of the proposed increase as computed by the ORS's
6 Utilities Department and associated expense adjustments.

7 Column (5) shows the Company's normalized operations after the requested
8 increase.

9 **Q. WOULD YOU PLEASE ELABORATE ON THE CALCULATIONS ON**
10 **PAGE 1 OF SETTLEMENT AGREEMENT EXHIBIT C?**

11 **A.** Detailed in Settlement Agreement Exhibit C – page 1 are the Company's Operating
12 Experience, Rate Base, and Rates of Return for South Carolina Gas Operations for
13 the test year ended December 31, 2004, the accounting and pro forma adjustments
14 which are necessary to correct or normalize the Company's test year operations, the
15 Company's normalized Operating Experience after accounting and pro forma
16 adjustments, the effect of the proposed increase, and the Company's normalized
17 operations after the effect of the proposed increase. All per book balances were
18 verified to detailed accounting records of the Company during the ORS review. In
19 accordance with the Settlement Agreement, the Company will be allowed rates and
20 charges which will produce additional revenues of \$22,857,839. Net Income for
21 Return increases to \$22,599,647 after the requested increase and Total Rate Base
22 remains at \$267,997,909, producing a Rate of Return on Rate Base of 8.43%.

1 Q. WOULD YOU PLEASE EXPLAIN THE ACCOUNTING AND PRO FORMA
2 ADJUSTMENTS IN SETTLEMENT AGREEMENT EXHIBIT C PAGES 2
3 THROUGH 6?

4 A. Yes. The Company and ORS have made accounting and pro adjustments for known
5 and measurable changes to test year operations. These adjustments, shown on pages
6 2 through 6 of Settlement Agreement Exhibit C, are summarized as follows:

7 Adj. #1a – Annualized Revenue from Lateral Transfers – The Company proposes to
8 annualize revenues for customers added to the Company's customer base due to the
9 transfer of laterals from South Carolina Pipeline Corporation to the Company during
10 January and February 2005.

11 ORS concurs with this adjustment.

12 Adj. # 1b – Annualized Revenue from Lateral Transfers – The Company proposes
13 to annualize revenues for customers added to the Company's customer base due to
14 the transfer of laterals from South Carolina Pipeline Corporation to the Company
15 during April and May 2005.

16 ORS concurs with this adjustment.

17 Adj. # 1c – Annual Revenue from Lateral Transfers – Adjusts Lateral Customer
18 Revenue for Tariff Rates - The Company proposes to adjust the revenues associated
19 with customers added to the customer base for the change from South Carolina
20 Pipeline Corporation firm contract rates to the Company's current tariff rates for
21 purposes of this proceeding only.

22 ORS concurs with this adjustment.

1 Adjustment # 2 - Annualized Wages, Benefits and Payroll Taxes - The Company
2 proposes to Annualize salary expense as of the end of the test year based on salary
3 levels in effect during February 2005 with corresponding adjustments to payroll
4 taxes and certain employee benefit costs.

5 ORS proposes to adjust the annualized wages, benefits, and payroll taxes to
6 compute the adjustment on the accrual basis. ORS's adjustment to other taxes
7 removed payroll taxes that had been computed on amounts above the FICA base.
8 The Staff proposes to increase O & M expenses by \$972,040 consisting of increases
9 to Payroll Expense of \$897,956 and related Employee Benefits Expense of \$74,084
10 for the test year.

11 Adjustment # 3a - Employee Benefit Related Adjustment – Annualized Pension
12 Income - The Company proposes to reduce O&M expenses in the amount of
13 (\$228,744) to reflect an increase in the income derived from the Company's pension
14 plan during the test year 2004 based on actuarial valuation.

15 ORS concurs with this adjustment.

16 Adjustment #3b – Employee Benefit Related Adjustment – Annualize Other Post
17 Employment Benefits (OPEBs) – The Company proposes to annualize and reduce
18 the Gas O&M portion of the Company's expenses for OPEBs in the amount of
19 (\$25,621) to match the amounts required to be accrued for these future expenses
20 under the Company's actuarial study.

21 In addition, this adjustment in OPEB expense requires an adjustment to base rate.

22 ORS concurs with these adjustments.

Adjustment #4 - Long Term Disability Amortization Adjustment - The Company

proposes to increase expenses for the amortization of deferred costs associated with the Company's long term disability plan. The Deferred Balance of the Long Term Disability Account is \$1,220,421 which is to be amortized over 8 years and 2 months (98 months). The Company included in this adjustment 12 months of amortization of \$149,439 ($\$1,220,421/98 = \$12,453$ times 12 = \$149,439).

ORS proposes to adjust the annualized wages, benefits and payroll taxes to compute the adjustment on a GAAP basis. Accordingly, ORS proposes to increase O&M expenses by \$135,602 for the test year.

Adjustment #5 – Remove Employee Clubs – The Company proposes to remove the costs related to the Employee Clubs owned by the Company. These clubs, consisting of The Pine Island Club, The Sand Dunes Club, and The Misty Lake Club, are operated by the company and used by the employees. The Company proposes to reduce O&M Expense (\$71,601), Common Plant Allocation (\$393,736), Accumulated Depreciation, (\$108,315) and Depreciation and Amortization Expense (\$18,085).

ORS concurs with these adjustments.

Adjustment #6a – Manufactured Gas Plant (MGP) Related Adjustments – Amortize

MGP Remediation Costs – The Company proposes to remove MGP revenue from test year balances and to adjust amortization expense for the straight-line amortization method and increase rate base by the difference between the MGP Regulatory Asset and Liability balances.

1 ORS concurs with these adjustments.

2 Adjustment #6b – Manufactured Gas Plant (MGP) Related Adjustments –

3 Annualized ongoing expenses for MGP remediation - The Company proposes to
4 reflect annualization of the Company's ongoing costs for remediation of MGP
5 sites. The Company calculated the annualized ongoing expenses for MGP
6 remediation for groundwater treatment, monitoring and reporting to be as follows:
7 Macon/Dockery site - \$30,000, Charleston site - \$241,000, Sumter site - \$40,000
8 and the Catawba Street/USC site \$28,000 for a total impact of the adjustment of
9 \$308,000.

10 ORS reviewed invoices for the ongoing remediation for groundwater treatment,
11 monitoring, and reporting costs incurred for 2004 and 2005 for the
12 Macon/Dockery, the Charleston, and the Catawba Street/USC sites. No invoices
13 were reviewed for the Sumter site as no costs have been incurred for ongoing
14 groundwater treatment, monitoring, and reporting for this site as of the date of the
15 ORS's field work. The invoices for the Macon/Dockery site that were reviewed
16 were for expenses for 2003 and 2004. No invoices were available for 2005. The
17 Staff calculated the average of the 2003 and 2004 expenses for ongoing
18 remediation expenses to equal \$21,990 (\$17,978 plus \$26,003 divided by 2).

19 ORS proposes to allow \$22,000 for known and measurable ongoing remediation
20 expenses for the Macon/Dockery site versus the \$30,000 proposed by the
21 Company. ORS proposes to disallow the costs for the ongoing remediation of the
22 Sumter site in the amount of \$40,000 as ORS determined them to be not known and

1 measurable. ORS proposes to increase O&M expenses by \$260,000 for the test
2 year.

3 Adjustment #7 – Annualized cost of ORS Auditor - The Company proposes to reflect
4 the annualization of the cost of the ORS Auditor to be assigned to the Company in
5 compliance with the Gas Rate Stabilization Act and reflect a total increase in O&M
6 Expenses of \$60,000.

7 ORS concurs with this adjustment.

8 Adjustment #8 – Annualize Cost for Pipeline Integrity – The Company proposes to
9 reflect the addition of the incremental cost associated with pipeline integrity
10 management programs required by the Office of Pipeline Safety (OPS) Research
11 and Special Programs Administration of the Department of Transportation (DOT)
12 per Federal Register 49 CFR Part 192. The annual expense adjustment for baseline
13 testing included in this filing is \$485,000. This amount was calculated as follows:
14 Annual Expense per pg. 69846 Federal Register of \$262,100,000 divided by the
15 miles of U.S. Transmission Pipelines or $(\$262,100,000/285,000)$ equals a cost per
16 mile of \$920. The Company has 527 miles of pipeline, including transferred
17 laterals. Therefore, the Company's basis for this calculation was (\$920 per mile
18 times 527 miles) which equates to a total annual expense for pipeline integrity of
19 \$484,655.

20 After discussion with the Company, ORS determined that the Company has 41
21 miles of transmission lines located in High Consequence Areas (HCA) where they
22 will conduct direct assessment of the integrity of the pipelines as required by OPS.

1 The estimated cost to conduct direct assessment is estimated at \$30,000 per mile.

2 Additionally, there are twenty (20) sections of the HCA transmission lines that are
3 under pavement in cased crossings. The estimated cost to assess these sections is
4 \$10,000 per cased crossing. The Company projects that it will assess 16 miles of
5 HCA pipelines during the first year of implementation of this program.

6 ORS adjusted annualized cost for Pipeline Integrity is calculated to be \$480,000 (16
7 miles times \$30,000 per mile).

8 Adjustment #9a – Adjustments to Recognize Property Retirements and Plant in
9 Service - The Company proposes to reduce the balance in the Company's Plant in
10 Service Account to reflect pending retirements as of December 31, 2004.

11 ORS concurs with this adjustment.

12 Adjustment #9b – Adjustment to Recognize Property Retirements and Depreciation
13 Reserve - The Company proposes to adjust depreciation reserves to reflect
14 retirements through December 31, 2004. ORS concurs with this adjustment.

15 Adjustment #10a – Adjustment to Recognize Property Additions and January and
16 February 2005 Construction Work In Progress (CWIP) Additions – The Company
17 proposes increases for Plant In Service for property placed in service (from CWIP) in
18 January and February 2005 consisting of: Gas Production Plant - \$66,319, Gas
19 Distribution Plant - \$2,685,046, Gas General Plant (Depreciable) - \$189,387, and
20 Gas General Plant (Non-depreciable) of \$157,879 for a total Plant Additions of
21 \$3,098,631. Also in this adjustment, the Company proposes a reduction to
22 Construction Work in Progress (CWIP) at December 31, 2004 consisting of CWIP-

1 Gas Production Plant – (\$66,494), CWIP – Gas Distribution Plant – (\$2,158,228),
2 and CWIP – Gas General Plant (Depreciable) of (\$332,616) for a total reduction to
3 Construction Work in Progress as December 31, 2004 of (\$2,557,338). ORS concurs
4 with this adjustment.

5 Adjustment # 10b – Adjustment to Recognize Property Additions – Laterals
6 transferred in January and February, 2005 - The Company proposes to increase Plant
7 In Service related to transfers of laterals made in January and February, 2005 from
8 South Carolina Pipeline Corporation to the Company.

9 ORS concurs with this adjustment.

10 Adjustment #10c - Adjustment to Recognize Property Additions – Laterals
11 transferred in May, 2005 - The Company proposes to increase Plant in Service
12 related to transfers of laterals made in May, 2005 from South Carolina Pipeline
13 Corporation to the Company.

14 ORS concurs with this adjustment.

15 Adjustment #10d - Adjustment to Recognize Property Additions – Depreciation
16 Reserves for January and February, 2005 Lateral Transfers - The Company proposes
17 to adjust Depreciation Reserves to reflect the addition of accumulated balances
18 transferred with the laterals.

19 ORS concurs with this adjustment.

20 Adjustment #10e - Adjustment to Recognize Property Additions – Depreciation
21 Reserves for May, 2005 Lateral Transfers - The Company proposes to adjust
22 Depreciation Reserves to reflect the addition of accumulated balances transferred

1 with the laterals. The depreciation balances transferred totaled \$3,753,533 and
2 consisted totally of Depreciation Reserves on Gas Distribution.

3 ORS is proposing an adjustment to update depreciation reserves for May, 2005
4 lateral transfers to the actual amount of the reserves when transferred in May. The
5 Company utilized an estimate of \$3,753,533 in the calculation of the pro forma
6 adjustment. The actual depreciation reserve at the time of transfer of the laterals in
7 May was \$3,756,731.

8 Adjustment #11 – Adjustment to Annual Current Depreciation Rates – The Company
9 proposes to adjust depreciation expense using depreciation rates approved in the
10 Commission letter dated July 5, 2000. The letter authorized the Company to apply
11 approved rates retroactively to January 1, 2000.

12 ORS concurs with this adjustment.

13 Adjustment #12 – Adjustment to reflect New Depreciation Study - The Company
14 proposes to reflect an increase in annual depreciation expense of \$1,974,571 resulting
15 from the adoption of a recently completed depreciation study. The Company
16 allocated this increase as follows: Production Plant depreciation expense - \$103,508,
17 Distribution Plant depreciation expense - \$1,547,325, and General Plant depreciation
18 expense - \$323,738.

19 ORS concurs with this adjustment.

20 Adjustment # 13 – Adjustment for Property Taxes - The Company proposes to
21 increase Taxes Other Than Income to annualize the impact of the Company's
22 Property Taxes by applying the current millage rates to the Adjusted Plant in

1 Service. The Company determined the impact of this adjustment to be an increase
2 in Property Taxes of \$1,288,399.

3 The Company calculated the income tax effect of this adjustment to be a State
4 Income Tax decrease of (\$64,420) (\$1,288,399 times 5%) and a Federal Income
5 Tax decrease of (\$428,393) (\$1,288,399 less \$64,420 = \$1,223,979 times 35%).
6 ORS is proposing an adjustment to correct property taxes for a miscalculation by
7 the Company.

8 ORS proposes to increase O&M Expense by \$1,210,350 for the test year.

9 Adjustment #14 - Adjustment to Working Cash – The Company proposes to adjust
10 the Working Cash requirements related to the pro forma adjustments. The Company
11 calculated the impact of this adjustment to be an increase of \$206,175 calculated as
12 follows: O&M Expense increase per Pro Forma of \$1,649,403 multiplied by the
13 factor of 1/8th. ORS proposes to adjust the Working Cash requirements related to the
14 pro forma adjustments and staff adjustments.

15 ORS calculated the impact of this adjustment to be a decrease of (\$15,095) calculated
16 as follows: O & M Expense decrease per page 2 of Settlement Agreement Exhibit C
17 of (\$120,760) multiplied by the factor of 1/8th.

18 Adjustment # 15 - Adjustment to record the Tax Effect of Annualized Interest - The
19 Company proposes to reflect the increases in State and Federal Income Taxes
20 associated with the pro forma adjustments. The Company calculated the impact of
21 this adjustment and the change in rate base per pro forma adjustments to be
22 \$15,078,959 consisting of the following: increase in Plant in Service - \$21,919,659,

1 decrease in Accumulated Depreciation (\$4,505,358), decrease in CWIP -
2 (\$2,557,338), increase in Deferred Debits and Credits - \$15,821, and an increase in
3 Working Capital of \$206,175.

4 The Company then calculated the Annualized Interest Impact to be (\$15,078,959
5 times the weighted average cost of capital of 3.06%) or \$461,416.

6 ORS proposes to reflect the increases in State and Federal Income taxes associated
7 with the pro forma adjustments and the staff adjustments. ORS calculated the impact
8 of this adjustment and the change in rate base per pro forma adjustments to be
9 \$15,078,959 consisting of the following: increase in Plant in Service of \$21,919,659,
10 decrease in Accumulated Depreciation (\$4,508,556), decrease in CWIP of
11 (\$2,557,338), increase in Deferred Debits and Credits of \$15,821, and a decrease in
12 Working Capital of (\$15,095). ORS then calculated the Annualized Interest Impact
13 to be (\$14,857,616 times the weighted average cost of capital of 3.06%) or \$454,643.

14 Adjustment #16 - Employee & Officer Incentive Bonuses - ORS proposes to
15 remove fifty percent (50%) of the employee and officer bonuses from the test year
16 expenses. ORS removed bonuses of \$1,512,771 and \$125,363 in related payroll tax
17 expenses.

18 Adjustment #17 - Legal fees - ORS is proposing an adjustment to decrease O&M
19 Expenses in the amount of (\$7,993) to remove legal fees associated with the over-
20 billing of franchise fees for certain company customers.

21 Adjustment #18 - Unallowable expenses - ORS is proposing an adjustment to
22 decrease O&M Expenses in the amount of (\$46,070) to remove donations,

employee newsletter expenses, unallowable membership dues, employee service awards expense, and sponsorships of sports teams expenses.

Adjustment # 19 – Interest on Customer Deposits – ORS proposes to decrease the amount of interest expense on customer deposits by (\$167,217) due to the Company's miscalculation of the interest expense.

Q. MR. JASHINSKY, BASED UPON THE ORS REVIEW WHAT IS THE CALCULATED OVERALL RATE OF RETURN?

A. Per Settlement Agreement Exhibit C page 7, after the proposed increase, the rate of return will be 8.43%.

Q. WHAT ARE THE CONTENTS OF THE REMAINING PAGES INCLUDED IN SETTLEMENT AGREEMENT EXHIBIT C?

A. Page 7 : Weighted Cost of Capital

Pages 8 and 9: Condensed Consolidated (Regulatory Basis) Balance Sheet

Page 10: Condensed Consolidated (Regulatory Basis) Statement of Income

Page 11: SCE&G's schedule of proposed depreciation rates.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

1 **TESTIMONY OF**
2
3 **JIMMY E. ADDISON**

4 **ON BEHALF OF**
5 **SOUTH CAROLINA ELECTRIC & GAS COMPANY**

6 **DOCKET NO. 2005-113-G**
7

8
9
10
11 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND**
12 **POSITION.**

13 **A.**My name is Jimmy E. Addison and my office is located at 1426
14 Main Street, Columbia, South Carolina. I am Vice President, Finance of
15 South Carolina Electric & Gas Company ("SCE&G") and hold a similar
16 position at SCANA Corporation, which is the parent company of SCE&G.

17 **Q. PLEASE DESCRIBE YOUR EDUCATION AND BUSINESS**
18 **BACKGROUND.**

19 **A.**I am a graduate of the University of South Carolina with a Bachelor of
20 Science Degree in Business Administration, majoring in accounting, and a
21 Master of Accountancy Degree. Also, I hold a certificate as a Certified Public
22 Accountant in South Carolina. Prior to my employment by the Company in
23 March 1991, I was employed for seven years by the certified public
24 accounting firm of Deloitte & Touche, where I was designated an Audit
25 Manager as a public utility accounting and audit specialist. I was also a
26 partner in the public accounting firm of Hughes, Boan and Addison

1 immediately prior to joining the Company. I currently serve as treasurer of
2 the Southeastern Electric Exchange.

3 **Q. WHAT ARE YOUR DUTIES WITH SCE&G?**

4 **A.** As Vice President, Finance of SCE&G, I have responsibility for
5 planning, directing and overseeing the finance, accounting, treasury,
6 investor relations, sourcing and information technology functions.

7 **Q. HAVE YOU EVER TESTIFIED BEFORE THIS COMMISSION?**

8 **A.** Yes. I have testified in several proceedings before this Commission
9 including SCE&G's 1992, 1995 and 2004 electric rate cases.

10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

11 **A.** The purpose of my testimony is to provide support for the Settlement
12 Agreement entered into by the parties in the proceeding in August 2005. I
13 will also testify concerning the perspectives of the financial community on
14 the Company and this proceeding and why the 10.25% Return on Equity
15 ("ROE") is a reasonable ROE for the Company's gas operations in the
16 context of this settlement.

17 **THE SETTLEMENT RETURN ON EQUITY OF 10.25%**

18 **Q. IN YOUR ROLE AS VICE PRESIDENT, FINANCE, OF SOUTH**
19 **CAROLINA ELECTRIC & GAS COMPANY, WHAT**
20 **INVOLVEMENT DO YOU HAVE WITH CAPITAL MARKETS?**
21

1 **A.** Along with our Chief Financial Officer, I share responsibility for
2 managing SCE&G's relationships with investors, security analysts, the
3 agencies that rate our debt securities and other members of the financial
4 community. I meet regularly with representatives of all these groups, and
5 participate in the Company's presentations to the equity investment
6 community and to our debt rating agencies. I am actively involved in
7 raising capital for the Company in both debt and equity markets, and meet
8 regularly with underwriters, investment advisers and other representatives
9 of investors in that context.

10 **Q.** **IN YOUR OPINION, CAN THE SETTLEMENT ROE OF 10.25% BE**
11 **SUPPORTED AS AN APPROPRIATE ROE FOR THE COMPANY'S**
12 **GAS OPERATIONS?**

13 **A.** Yes. In the context of the present settlement agreement, which
14 disposes of all issues in the case, rates set based on a 10.25% Return on
15 Equity can provide investors the opportunity to earn a reasonable return on
16 the capital they invest in the Company. The 10.25% return is a return that
17 would be acceptable to investors based on a comprehensive settlement of
18 all issues in the case. Based on my knowledge of the investment
19 community, my understanding of their expectations related to regulated
20 returns in the present economic context, and my monitoring of the returns
21 granted to other utilities and investors' reactions to those returns, I believe

1 that 10.25% is a sufficient return in the context of a comprehensive
2 settlement.

3 **Q. PLEASE EXPLAIN.**

4 **A.** In SCE&G's most recent retail electric proceeding, which was
5 decided only nine months ago, the Commission granted the Company a
6 10.7% ROE. Short term interest rates have increased substantially since the
7 electric proceeding. The Company is willing to accept a 10.25% ROE in
8 this proceeding because of importance of the settlement.

9 **Q. WHY IS A SETTLEMENT IMPORTANT TO INVESTORS?**

10 **A.** Investors place great importance on rate case settlements. Whether
11 rate cases are settled or litigated figures prominently in analysts' reports
12 and evaluations of these cases and is a factor that strongly influences the
13 financial community's assessment of the regulatory climate a utility
14 operates in. The financial community sees settlements as an indication of a
15 cooperative relationship between a utility and its regulators and the other
16 participants in the regulatory process.

17 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

18 **A.** Yes, it does.

19
20

South Carolina Electric & Gas Company
Operating Experience - Total Gas
For the Test Year Ended December 31, 2004
Docket No. 2005-113-G

Description	Per Regulatory Books	Accounting & Pro Forma Adjustments	As Adjusted	Total Settlement Increase	Total After Settlement Increase
Operating Revenues	\$ 398,868,458	\$ 2,582,074 (A)	\$ 401,450,532	\$ 22,857,839	\$ 424,308,371
Operating Expenses:					
O&M Expenses - Cost of Gas	314,983,882	-	314,983,882	-	314,983,882
O&M Expenses - Other	48,488,663	(120,760) (B)	48,367,903	-	48,367,903
Depreciation & Amortization Expenses	12,957,652	2,842,952 (C)	15,800,604	-	15,800,604
Taxes Other Than Income	12,013,204	1,159,451 (D)	13,172,655	143,268	13,315,923
Total Income Taxes	1,077,693	(669,715) (E)	407,978	8,666,654	9,074,632
Total Operating Expenses	389,521,094	3,211,928	392,733,022	8,809,922	401,542,944
Total Operating Income	9,347,364	(629,854)	8,717,510	14,047,917	22,765,427
Interest on Customer Deposits	(332,997)	167,217 (F)	(165,780)	-	(165,780)
Net Income for Return	9,014,367	(462,637)	8,551,730	14,047,917	22,599,647
Rate Base:					
Gross Plant in Service	506,432,909	21,919,659 (G)	528,352,568	-	528,352,568
Reserve for Depreciation	(210,950,890)	(4,508,556) (H)	(215,459,446)	-	(215,459,446)
Net Plant in Service	295,482,019	17,411,103	312,893,122	-	312,893,122
Construction Work in Process	6,678,977	(2,557,338) (I)	4,121,639	-	4,121,639
Deferred Debits/Credits	(6,933,731)	15,821 (J)	(6,917,910)	-	(6,917,910)
Accumulated Deferred Income Taxes	(37,771,135)	-	(37,771,135)	-	(37,771,135)
Materials & Supplies	1,463,811	-	1,463,811	-	1,463,811
Total Working Capital	(5,776,523)	(15,095) (K)	(5,791,618)	-	(5,791,618)
Total Rate Base	253,143,418	14,854,491	267,997,909	-	267,997,909
Rate of Return	3.56%		3.19%		8.43%
Return on Equity	0.65%		-0.08%		10.25%

Note - Per Book Return on Rate Base computed per Company based on per book Total Operating Income and Total Rate Base

South Carolina Electric & Gas Company
Weighted Cost of Capital
As of December 31, 2004
Docket No. 2005-113-G

Description	Capital Structure	Ratio	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return
Long-Term Debt	\$ 1,985,151,597	46.55%	\$ 124,744,873	6.57%	3.06%	\$ 8,195,738
Preferred Stock	115,484,400	2.71%	7,256,920	6.40%	0.17%	464,443
Common Equity	2,164,200,426	50.75%	135,996,116	10.25%	5.20%	13,939,466
Totals	\$ 4,264,836,423	100.00%	\$ 267,997,909		8.43%	\$ 22,599,647

South Carolina Electric & Gas Company
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2004
Docket No. 2005-113-G

<u>Description</u>	<u>Per SCE&G</u>	<u>Per ORS</u>
(A) <u>Operating Revenues</u>		
1 SCE&G proposes to annualize Revenues from Lateral transfers:		
a) Laterals Transferred in January & February 2005	\$ 1,490,862	\$ 1,490,862
b) Laterals to be transferred in May 2005	695,543	695,543
c) Adjust lateral customer revenue for tariff rates	395,669	395,669
<u>Total Operating Revenues</u>	\$ 2,582,074	\$ 2,582,074
(B) <u>Operating and Maintenance Expense</u>		
2 SCE&G proposes to annualize Wages, Benefits and Payroll Taxes.	\$ 1,122,369	\$ 972,040
3 SCE&G proposes to adjust Employee Benefits:		
a) Annualize Pension Income	(228,744)	(228,744)
b) Annualize Other Post Employment Benefits	(25,621)	(25,621)
5 SCE&G proposes to remove Employee Clubs.	(71,601)	(71,601)
6 b) SCE&G proposes to annualize ongoing expenses for Manufactured Gas Plant remediation.	308,000	260,000
7 SCE&G proposes to annualize cost of ORS auditor.	60,000	60,000
8 SCE&G proposes to annualize costs for pipeline integrity.	485,000	480,000
16 a) ORS proposes to disallow 50% of employee & officer bonuses.	-	(1,512,771)
17 ORS proposes to disallow legal fees deemed to be unallowable for ratemaking purposes.	-	(7,993)
18 ORS proposes to disallow expenses deemed to be unallowable for ratemaking purposes.	-	(46,070)
<u>Total Operating and Maintenance Expense</u>	\$ 1,649,403	\$ (120,760)
(C) <u>Depreciation and Amortization Expense</u>		
4 SCE&G proposes to adjust Amortization of Long Term Disability liability.	\$ 149,439	\$ 135,602
5 SCE&G proposes to remove Employee Clubs.	(18,085)	(18,085)
6 a) SCE&G proposes to amortize Manufactured Gas Plant remediation costs.	(648,108)	(648,108)
11 SCE&G proposes to annualize current depreciation rates.	1,398,972	1,398,972

South Carolina Electric & Gas Company
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2004
Docket No. 2005-113-G

<u>Description</u>	<u>Per SCE&G</u>	<u>Per ORS</u>
12 SCE&G proposes increase depreciation rates on the basis of a recently completed depreciation study.	1,974,571	1,974,571
<u>Total Depreciation and Amortization Expense</u>	\$ 2,856,789	\$ 2,842,952
(D) <u>Taxes Other Than Income</u>		
1 SCE&G proposes to annualize Revenues from Lateral transfers: a) Laterals Transferred in January & February 2005 b) Laterals to be transferred in May 2005 c) Adjust lateral customer revenue for tariff rates	\$ 7,499 3,499 1,990	\$ 7,499 3,499 1,990
2 SCE&G proposes to annualize Wages, Benefits and Payroll Taxes.	79,317	61,476
13 Company proposes to adjust Property Tax expense.	1,288,399	1,210,350
16 b) ORS proposes to disallow 50% of payroll tax expense on employee & officer bonuses.	-	(125,363)
<u>Total Taxes Other Than Income</u>	\$ 1,380,704	\$ 1,159,451
(E) <u>Income Taxes</u>		
<u>State Income Taxes:</u>		
1 SCE&G proposes to annualize Revenues from Lateral transfers: a) Laterals Transferred in January & February 2005 b) Laterals to be transferred in May 2005 c) Adjust lateral customer revenue for tariff rates	\$ 74,168 34,602 19,684	\$ 74,168 34,602 19,684
2 SCE&G proposes to annualize Wages, Benefits and Payroll Taxes.	(60,084)	(51,676)
3 SCE&G proposes to adjust Employee Benefits: a) Annualize Pension Income b) Annualize Other Post Employment Benefits	11,437 1,281	11,437 1,281
4 SCE&G proposes to adjust Amortization of Long Term Disability liability.	(7,472)	(6,780)
5 SCE&G proposes to remove Employee Clubs.	4,484	4,484
6 Manufactured Gas Plant Related Adjustments: a) Amortize MGP remediation costs b) Annualize ongoing expenses for MGP remediation	32,405 (15,400) (3,000)	32,405 (13,000) (3,000)
7 SCE&G proposes to annualize cost of ORS auditor.	(24,250)	(24,000)
8 SCE&G proposes to annualize costs for pipeline integrity.		

South Carolina Electric & Gas Company
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2004
Docket No. 2005-113-G

<u>Description</u>	<u>Per SCE&G</u>	<u>Per ORS</u>
11 SCE&G proposes to annualize current depreciation rates.	(69,949)	(69,949)
12 SCE&G proposes increase depreciation rates on the basis of a recently completed depreciation study.	(98,729)	(98,729)
13 Company proposes to adjust Property Tax expense.	(64,420)	(60,517)
15 Tax effect of annualized interest.	(23,071)	(22,566)
16 a) ORS proposes to disallow 50% of employee & officer bonuses.	-	75,639
b) ORS proposes to disallow 50% of payroll tax expense on employee & officer bonuses.	-	6,268
17 ORS proposes to disallow legal fees deemed to be unallowable for ratemaking purposes.	-	400
18 ORS proposes to disallow expenses deemed to be unallowable for ratemaking purposes.	-	2,304
<u>Total State Income Taxes:</u>	<u>(188,314)</u>	<u>(87,545)</u>
<u>Federal Income Taxes</u>		
1 SCE&G proposes to annualize Revenues from Lateral transfers:		
a) Laterals Transferred in January & February 2005	493,218	493,218
b) Laterals to be transferred in May 2005	230,105	230,105
c) Adjust lateral customer revenue for tariff rates	130,898	130,898
2 SCE&G proposes to annualize Wages, Benefits and Payroll Taxes.	(399,561)	(343,644)
3 SCE&G proposes to adjust Employee Benefits:		
a) Annualize Pension Income	76,057	76,057
b) Annualize Other Post Employment Benefits	8,519	8,519
4 SCE&G proposes to adjust Amortization of Long Term Disability liability.	(49,688)	(45,088)
5 SCE&G proposes to remove Employee Clubs.	29,821	29,821
6 Manufactured Gas Plant Related Adjustments:		
a) Amortize MGP remediation costs	215,496	215,496
b) Annualize ongoing expenses for MGP remediation	(102,410)	(86,450)
7 SCE&G proposes to annualize cost of ORS auditor.	(19,950)	(19,950)
8 SCE&G proposes to annualize costs for pipeline integrity.	(161,263)	(159,600)
11 SCE&G proposes to annualize current depreciation rates.	(465,158)	(465,158)

South Carolina Electric & Gas Company
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2004
Docket No. 2005-113-G

<u>Description</u>	<u>Per SCE&G</u>	<u>Per ORS</u>
12 SCE&G proposes increase depreciation rates on the basis of a recently completed depreciation study.	(656,545)	(656,545)
13 Company proposes to adjust Property Tax expense.	(428,393)	(402,442)
15 Tax effect of annualized interest.	(153,421)	(150,062)
16 a) ORS proposes to disallow 50% of employee & officer bonuses.	-	502,996
b) ORS proposes to disallow 50% of payroll tax expense on employee & officer bonuses.	-	41,683
17 ORS proposes to disallow legal fees deemed to be unallowable for ratemaking purposes.	-	2,658
18 ORS proposes to disallow expenses deemed to be unallowable for ratemaking purposes.	-	15,318
<u>Total Federal Income Taxes</u>	(1,252,275)	(582,170)
<u>Total Income Taxes</u>	\$ (1,440,589)	\$ (669,715)
(F) <u>Interest on Customer Deposits</u>		
19 ORS proposes to adjust interest on customer deposits for error in the filing.	\$ -	\$ 167,217
(G) <u>Plant in Service</u>		
5 SCE&G proposes to remove Employee Clubs.	\$ (393,736)	\$ (393,736)
9 SCE&G proposes to recognize property retirements.	(573,239)	(573,239)
10 SCE&G proposes to recognize property additions:		
a) January and February CWIP additions	3,098,631	3,098,631
b) Laterals Transferred in January & February 2005	3,169,642	3,169,642
c) Laterals to be transferred in May 2005	16,618,361	16,618,361
<u>Total Plant in Service</u>	\$ 21,919,659	\$ 21,919,659

South Carolina Electric & Gas Company
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2004
Docket No. 2005-113-G

<u>Description</u>	<u>Per SCE&G</u>	<u>Per ORS</u>
(H) <u>Accumulated Depreciation</u>		
5 SCE&G proposes to remove Employee Clubs.	\$ (108,315)	\$ (108,315)
9 SCE&G proposes to recognize property retirements.	(573,239)	(573,239)
10 SCE&G proposes to recognize property additions:		
d) Depreciation reserves for laterals Transferred in January & February 2005	1,433,379	1,433,379
e) Depreciation reserves for laterals to be transferred in May 2005	3,753,533	3,756,731
<u>Accumulated Depreciation</u>	\$ 4,505,358	\$ 4,508,556
(I) <u>CWIP</u>		
10 SCE&G proposes to recognize property additions:		
a) January and February CWIP additions	\$ (2,557,338)	\$ (2,557,338)
<u>Total CWIP</u>	\$ (2,557,338)	\$ (2,557,338)
(J) <u>Deferred Debits/Credits</u>		
3 SCE&G proposes to annualize Other Post Employment Benefits.	\$ 15,821	\$ 15,821
<u>Total Deferred Debits/Credits</u>	\$ 15,821	\$ 15,821
(K) <u>Working Capital</u>		
14 SCE&G proposes to adjust working cash.	\$ 206,175	\$ (15,095)
<u>Total Working Capital</u>	\$ 206,175	\$ (15,095)

Description	Capital Structure	Ratio	As Adjusted			After Settlement Increase				
			Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return
Long-Term Debt	\$ 1,985,151,597	46.55%	\$ 124,744,873	6.57%	3.06%	\$ 8,195,738	\$ 124,744,873	6.57%	3.06%	\$ 8,195,738
Preferred Stock	115,484,400	2.71%	7,256,920	6.40%	0.17%	464,443	7,256,920	6.40%	0.17%	464,443
Common Equity	2,164,200,426	50.75%	135,996,116	-0.08%	-0.04%	(108,451)	135,996,116	10.25%	5.20%	13,939,466
Totals	\$ 4,264,836,423	100.00%	\$ 267,997,909		3.19%	\$ 8,551,730	\$ 267,997,909		8.43%	\$ 22,599,647

South Carolina Electric & Gas Company
Condensed Consolidated (Regulatory Basis) Balance Sheet
December 31, 2004
(Millions of Dollars)

ASSETS

Utility Plant	\$ 6,695
Utility Plant	(1,828)
Accumulated Depreciation and Amortization	
	4,867
Construction Work in Process	416
Nuclear Fuel, Net of Accumulated Amortization	42
	5,325
Utility Plant, Net	
Nonutility Property and Investments	27
Nonutility Property, Net of Accumulated Depreciation	49
Assets Held in Trust, Net - Nuclear Decommissioning	6
Other Investments	
	82
Nonutility Property and Investments, Net	
Current Assets	11
Cash and Cash Equivalents	267
Receivables - Net of Allowance for Uncollectible Accounts of \$1	19
Receivables - Affiliated Companies	
Inventories (at average cost):	30
Fuel	62
Materials and supplies	9
Emission allowances	25
Prepayments	
	423
Current Assets	
Deferred Debits	11
Environmental	285
Pension Asset, Net	23
Due from Affiliates - Pension and Postretirement Benefits	365
Other Regulatory Assets	137
Other	
	821
Deferred Debits	
TOTAL ASSETS	\$ 6,651

South Carolina Electric & Gas Company
Condensed Consolidated (Regulatory Basis) Balance Sheet
December 31, 2004
(Millions of Dollars)

CAPITALIZATION, LIABILITIES AND DEFERRED CREDITS

CAPITALIZATION

Shareholders' Investment:

Common Equity	\$ 2,164
Preferred Stock (Not Subject to Purchase or Sinking Funds)	<u>106</u>
	2,270
Total Shareholders' Investment:	9
Preferred Stock (Subject to Purchase or Sinking Funds)	<u>1,819</u>
Long-Term Debt, Net	

TOTAL CAPITALIZATION

4,098

LIABILITIES

Current Liabilities:

Short-Term Borrowings	153
Current Portion of Long-Term Debt	195
Accounts Payable	104
Accounts Payable - Affiliated Companies	123
Customer Deposits	26
Taxes Accrued	156
Interest Accrued	34
Dividends Declared	37
Other	<u>49</u>

TOTAL LIABILITIES

877

DEFERRED CREDITS

Deferred Income Taxes, Net	688
Deferred Investment Tax Credits	114
Asset Retirement Obligation - Nuclear Plant	124
Other Asset Retirement Obligations	336
Due to Affiliates - Pension and Postretirement Benefits	14
Postretirement Benefits	142
Other Regulatory Liabilities	184
Other	<u>74</u>

TOTAL DEFERRED CREDITS

1,676

TOTAL CAPITALIZATION, LIABILITIES AND DEFERRED CREDITS

\$ 6,651

South Carolina Electric & Gas Company
Condensed Consolidated (Regulatory Basis) Statement of Income
For the Test Year Ended December 31, 2004
Docket No. 2005-113-G
(Millions of Dollars)

Operating Revenues:

Electric	\$	1,692
Gas		<u>397</u>

Total Operating Revenues		<u>2,089</u>
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Operating Expenses:

Fuel Used in Electric Generation	393
Purchased Power (including affiliated purchases)	168
Gas Purchased for Resale	313
Other Operation and Maintenance	419
Depreciation and Maintenance	211
Other Taxes	<u>126</u>

Total Operating Expenses	<u>1,630</u>
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Operating Income	<u>459</u>
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Other Income:

Gain on Sale of Assets	1
Other Income (Loss), Including Allowance for Equity Funds of \$13	<u>24</u>

Total Other Income	<u>25</u>
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Income Before Interest Charges, Income Taxes and Preferred Stock Dividends	484
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Interest Charges, Net of Allowance for Borrowed Funds Used During Construction of \$9	<u>130</u>
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Income Before Income Taxes and Preferred Stock Dividends	354
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Income Taxes	<u>122</u>
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Net Income	232
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Preferred Stock Cash Dividends	<u>(7)</u>
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Earnings Available for Common Shareholders	<u>\$ 225</u>
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SOUTH CAROLINA ELECTRIC AND GAS COMPANY

ESTIMATED SURVIVOR CURVES, NET SALVAGE PERCENT, ORIGINAL COST, BOOK RESERVE AND
CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO GAS PLANT AT DECEMBER 31, 2003

Depreciable Group (1)	Survivor Curve (2)	Net Salvage Percent (3)	Original Cost (4)	Book Reserve (5)	Future Accruals (6)	Annual Accrual Amount (7)	Composite Remaining Life (8)	Annual Accrual Percent (9)
Depreciable Gas Plant								
Production Plant								
405.00 Structures and Improvements	25-S3	0	1,804,031.54	891,542	912,490	92,186	9.9	5.11
411.00 Liquefied Petroleum Gas Equipment	28-R2	15	9,741,954.39	5,764,392	2,516,270	141,256	17.8	1.45
420.00 Other Equipment	22-R2	0	455,151.38	48,864	405,288	29,881	13.6	6.57
Total Production Plant			12,001,137.31	6,704,798	3,835,048	283,323		2.19
Distribution Plant								
475.00 Structures and Improvements	40-S1	(5)	657,131.52	260,333	429,655	15,438	27.8	2.35
476.00 Mains	60-R4	(25)	198,922,046.56	89,167,511	156,985,047	3,375,659	46.5	1.71
477.00 Compressor Station Equipment	15-SQ	0	11,767.71	12,036	(268)	0	-	0.00
478.00 Measuring & Regulating Station Equipment	55-R3	(40)	3,239,559.61	1,155,094	3,380,289	78,790	42.9	2.43
479.00 City Gate Check Station	55-R3	(40)	138,132.83	29,681	163,705	3,519	46.5	2.55
480.00 Services	49-R4	(75)	146,463,547.35	58,079,853	198,231,354	5,895,708	33.6	4.03
481.00 Meters	42-R1.5	(15)	51,861,689.65	21,077,237	38,563,709	1,205,361	32.0	2.32
485.20 Industrial Measuring & Regulating Station Equipment - Commercial	58-R2	(7)	1,908,723.81	561,909	1,480,424	29,301	50.5	1.54
485.20 Industrial Measuring & Regulating Station Equipment - Industrial	58-R2	(7)	4,156,297.14	1,246,124	3,201,117	63,170	50.7	1.52
487.00 Other Equipment	20-SQ.5	0	116,808.33	40,821	75,988	7,713	9.9	6.60
Total Distribution Plant			406,475,704.51	171,630,699	402,511,020	10,574,559		2.63
General Plant								
490.10 Structures and Improvements - Office	40-S1	(5)	12,357,553.40	2,611,188	10,346,830	354,232	29.2	2.87
490.20 Structures and Improvements - Warehouse	40-S1	(5)	673,807.18	196,247	524,045	19,977	26.2	2.96
490.80 Structures and Improvements - Leasehold Office	15-S2	0	36,676.43	20,258	20,135	3,347	6.0	9.13
490.90 Structures and Improvements - Leasehold Warehouse	15-S2	0	6,776.75	2,756	2,920	730	4.0	10.77
491.10 Office Furniture and Equipment	20-SQ	0	1,068,162.68	686,739	381,423	55,737	6.8	5.22
491.20 Office Furniture and Equipment - Information System EDP	5-SQ	0	1,105,664.39	849,992	255,673	189,267	1.4	17.12
491.30 Office Furniture and Equipment - Office Data Handling	20-SQ	0	178,815.92	112,388	66,428	11,279	5.9	6.31
493.00 Stores Equipment	25-SQ	0	52,428.06	34,711	17,716	2,598	6.8	4.96
494.10 Tools, Shop and Garage Equipment - Power Hand Tools	20-SQ	0	697,886.30	371,255	275,469	41,233	6.7	5.91
494.20 Tools, Shop and Garage Equipment - Line Tools	20-SQ	0	2,105,720.45	788,100	1,374,809	124,461	11.1	5.91
494.30 Tools, Shop and Garage Equipment - Shop Tools	20-SQ	0	42,065.73	9,872	30,834	2,187	14.1	5.20
494.40 Tools, Shop and Garage Equipment - Garage	20-SQ	0	176,665.82	33,865	138,134	9,136	15.1	5.17
495.10 Laboratory Equipment - Meter Test	15-SQ	0	26,371.75	7,940	18,172	2,349	7.7	8.91
495.20 Laboratory Equipment - Other Lab Test	15-SQ	0	227,712.91	153,455	78,220	43,830	1.8	19.25
495.30 Laboratory Equipment - Field Test	15-SQ	0	322,604.56	113,946	204,954	35,349	5.8	10.96
497.00 Communication Equipment	8-SQ	0	1,331,932.08	809,186	522,747	266,373	2.0	20.00
498.00 Miscellaneous Equipment	15-SQ	0	528,888.60	172,740	356,148	58,707	6.1	11.10
Total General Plant			20,938,733.01	6,976,638	14,514,657	1,220,792		5.83
Total Depreciable Gas Plant			438,416,574.83	185,312,035	420,960,725	12,158,774	34.6	2.77

PRELIMINARY

GAS

SOUTH CAROLINA ELECTRIC & GAS COMPANY

GENERAL SERVICE

RATE 31

AVAILABILITY

Available only to those customers having firm requirements on a peak day of less than 500 therms and using the Company's service for general commercial, industrial, agricultural, religious or charitable purposes. Only for residential where more than one dwelling unit is supplied through one meter. It is not available for resale.

RATE PER MONTH

Basic Facilities Charge:

November - April	\$ 13.36
May - October	\$ 9.19

Plus Commodity Charge:

All therms @

\$ 1.23147 per therm

WEATHER NORMALIZATION ADJUSTMENT

An adjustment to the commodity charges for the billing months of November-April above will be made in accordance with the Weather Normalization Adjustment.

DEKATHERM BILLING

Customers that have installed chart metering facilities may be billed on a per Dekatherm basis (1 dekatherm = 10 therms). The amount per dekatherm will be determined by multiplying the above by 10.

MINIMUM CHARGE

The monthly minimum charge shall be the basic facilities charge as stated above.

UNMETERED GAS LIGHTING PROVISION

Gas used for lighting will be determined based on BTU ratings of fixtures installed and will be billed the commodity charges listed above.

SEASONAL BLOCK CHARGE

A charge will apply for customers who disconnect service and subsequently request reconnection of service at the same premise within a 12 month period. This is commonly referred to as seasonal block. The charge will be based on the number of months the customer is disconnected times the basic facilities charge as stated above. In determining the months of disconnection, any number of days disconnected within a month constitutes a whole month of disconnection. If reconnection is requested to be performed after normal business hours, an additional charge of \$20.00 will be added to the charges as calculated above.

ADJUSTMENTS FOR RECOVERY OF GAS COSTS

The commodity charges above include gas costs of \$.81080 per therm and are subject to adjustment by order of the Public Service Commission of South Carolina.

SALES AND FRANCHISE TAX

To the above will be added any applicable sales tax, franchise fee or business license tax which may be assessed by any state or local governmental body.

PAYMENT TERMS

All bills are net and payable when rendered.

TERM OF CONTRACT

Contracts shall run continuously from time service is commenced at each location until service to customer is permanently disconnected. The peak day requirement contained in the Availability will be determined in the same manner as the determination of the category for curtailment of retail customers. A separate contract shall cover each meter at each location.

GENERAL TERMS AND CONDITIONS

The Company's General Terms and Conditions are incorporated by reference and a part of this rate schedule.

Effective For Bills Rendered On and After the First Billing Cycle of November 2005
and Subject to 2005 PGA Adjustment

GAS

SOUTH CAROLINA ELECTRIC & GAS COMPANY

RATE 32V

RESIDENTIAL VALUE SERVICE
(Page 1 of 2)

AVAILABILITY

This rate schedule is only available to residential customers that meet the special provisions as listed below and are using the Company's service in individually metered private residences. For apartments or multi-family structures having not more than two (2) dwelling units, gas service for a central heating system for the entire building may be included in the account of one of the dwelling units. All gas service supplied to the second dwelling unit will be separately metered to comply with the provisions of this rate.

RATE PER MONTH

Basic Facilities Charge:

\$ 6.64

Plus Commodity Charge:

\$1.18972 per therm

All Therms @

SPECIAL PROVISIONS

1. This rate schedule is available to those accounts where there is an average usage of at least 10 therms during the billing months of June, July and August. The average usage is derived by combining the therm usage for each of the billing months previously listed and dividing by three.
2. Therm usage during a billing month of other than 30 days, used to determine eligibility under this rate schedule, shall be adjusted to a 30 day billing period by application of a fraction, the numerator of which shall be 30 and the denominator of which shall be the actual number of days in the billing period.
3. The calculation as described in 1. above will be performed annually for each residential account. Accounts not meeting the standards of Rate 32V will be placed on Rate 32S beginning with the billing month of November of each year.
4. Availability of this rate schedule for new premises will be based on reasonably anticipated base load usage. Availability of this rate schedule for new accounts at existing premises will be based on the previous account's usage. If this usage is unavailable, the customer will be initially placed on Rate 32S Residential Standard Service.

WEATHER NORMALIZATION ADJUSTMENT

An adjustment to the commodity charges for the billing months of November-April above will be made in accordance with the Weather Normalization Adjustment.

MINIMUM CHARGE

The monthly minimum charge shall be the basic facilities charge as stated above.

UNMETERED GAS LIGHTING PROVISION

Gas used for lighting will be determined based on the BTU rating of fixtures installed and will be billed the commodity charges listed above.

SEASONAL BLOCK CHARGE

A charge will apply for customers who disconnect service and subsequently request reconnection of service at the same premise within a 12 month period. This is commonly referred to as seasonal block. The charge will be based on the number of months the customer is disconnected times the basic facilities charge as stated above. In determining the months of disconnection, any number of days disconnected within a month constitutes a whole month of disconnection. If reconnection is requested to be performed after normal business hours, an additional charge of \$20.00 will be added to the charges as calculated above.

Effective For Bills Rendered On and After the First Billing Cycle of November 2005
and Subject to 2005 PGA Adjustment

SOUTH CAROLINA ELECTRIC & GAS COMPANY

GAS

RATE 32V

RESIDENTIAL VALUE SERVICE
(Page 2 of 2)

ADJUSTMENTS FOR RECOVERY OF GAS COSTS

The commodity charges above include gas costs of \$.87609 per therm and are subject to adjustment by order of the Public Service Commission of South Carolina.

SALES AND FRANCHISE TAX

To the above will be added any applicable sales tax, franchise fee or business license tax which may be assessed by any state or local governmental body.

PAYMENT TERMS

All bills are net and payable when rendered.

TERM OF CONTRACT

Contracts shall run continuously from time service is commenced at each location until service to customer is permanently disconnected. A separate contract shall cover each meter at each location.

GENERAL TERMS AND CONDITIONS

The Company's General Terms and Conditions are incorporated by reference and a part of this rate schedule.

Effective For Bills Rendered On and After the First Billing Cycle of November 2005
and Subject to 2005 PGA Adjustment

GAS

SOUTH CAROLINA ELECTRIC & GAS COMPANY

RATE 32S

RESIDENTIAL STANDARD SERVICE

AVAILABILITY

This rate schedule is only available to residential customers that are not eligible for rate schedule 32V Residential Value Service and are using the Company's service in individually metered private residences. For apartments or multi-family structures having not more than two (2) dwelling units, gas service for a central heating system for the entire building may be included in the account of one of the dwelling units. All gas service supplied to the second dwelling unit will be separately metered to comply with the provisions of this rate.

RATE PER MONTH

Basic Facilities Charge:

November - April	\$ 8.38
May - October	\$ 4.91

Plus Commodity Charge:

All Therms @

\$1.24972 per therm

WEATHER NORMALIZATION ADJUSTMENT

An adjustment to the commodity charges for the billing months of November-April above will be made in accordance with the Weather Normalization Adjustment.

MINIMUM CHARGE

The monthly minimum charge shall be the basic facilities charge as stated above.

UNMETERED GAS LIGHTING PROVISION

Gas used for lighting will be determined based on the BTU rating of fixtures installed and will be billed the commodity charges listed above.

SEASONAL BLOCK CHARGE

A charge will apply for customers who disconnect service and subsequently request reconnection of service at the same premises within a 12 month period. This is commonly referred to as seasonal block. The charge will be based on the number of months the customer is disconnected times the basic facilities charge as stated above. In determining the months of disconnection, any number of days disconnected within a month constitutes a whole month of disconnection. If reconnection is requested to be performed after normal business hours, an additional charge of \$20.00 will be added to the charges as calculated above.

ADJUSTMENTS FOR RECOVERY OF GAS COSTS

The commodity charges above include gas costs of \$.87609 per therm and are subject to adjustment by order of the Public Service Commission of South Carolina.

SALES AND FRANCHISE TAX

To the above will be added any applicable sales tax, franchise fee or business license tax which may be assessed by any state or local governmental body.

PAYMENT TERMS

All bills are net and payable when rendered.

TERM OF CONTRACT

Contracts shall run continuously from time service is commenced at each location until service to customer is permanently disconnected. A separate contract shall cover each meter at each location.

GENERAL TERMS AND CONDITIONS

The Company's General Terms and Conditions are incorporated by reference and a part of this rate schedule.

Effective For Bills Rendered On and After the First Billing Cycle of November 2005
and Subject to 2005 PGA Adjustment

SOUTH CAROLINA ELECTRIC & GAS COMPANY

GAS

RATE 33

MEDIUM GENERAL SERVICE

AVAILABILITY

Available only to those customers using the Company's service for firm general commercial, industrial, agriculture, religious or charitable purposes and for residential where more than one dwelling unit is supplied through one meter. Also, this rate schedule is only available where there is an average usage of at least 130 therms during the billing months of June, July and August. The average usage is derived by combining the therm usage for each of the billing months previously listed and dividing by three. It is not available for resale.

RATE PER MONTH

Basic Facilities Charge: \$ 19.95

Plus Commodity Charge: \$ 1.18147 per therm
All Therms @

WEATHER NORMALIZATION ADJUSTMENT

An adjustment to the commodity charges for the billing months of November-April above will be made in accordance with the Weather Normalization Adjustment.

DEKATHERM BILLING

Customers that have installed chart metering facilities may be billed on a per Dekatherm basis (1 dekatherm = 10 therms). The amount per dekatherm will be determined by multiplying the above by 10.

MINIMUM CHARGE

The monthly minimum charge shall be the basic facilities charge as stated above.

UNMETERED GAS LIGHTING PROVISION

Gas used for lighting will be determined based on BTU ratings of fixtures installed and will be billed the commodity charges listed above.

SEASONAL BLOCK CHARGE

A charge will apply for customers who disconnect service and subsequently request reconnection of service at the same premise within a 12 month period. This is commonly referred to as seasonal block. The charge will be based on the number of months the customer is disconnected times the basic facilities charge as stated above. In determining the months of disconnection, any number of days disconnected within a month constitutes a whole month of disconnection. If reconnection is requested to be performed after normal business hours, an additional charge of \$20.00 will be added to the charges as calculated above.

ADJUSTMENTS FOR RECOVERY OF GAS COSTS

The commodity charges above include gas costs of \$.81080 per therm and are subject to adjustment by order of the Public Service Commission of South Carolina.

SALES AND FRANCHISE TAX

To the above will be added any applicable sales tax, franchise fee or business license tax which may be assessed by any state or local governmental body.

PAYMENT TERMS

All bills are net and payable when rendered.

TERM OF CONTRACT

Contracts shall run continuously from time service is commenced at each location until service to customer is permanently disconnected. A separate contract shall cover each meter at each location. No contract shall be written for less than twelve (12) months.

GENERAL TERMS AND CONDITIONS

The Company's General Terms and Conditions are incorporated by reference and a part of this rate schedule.

Effective For Bills Rendered On and After the First Billing Cycle of November 2005
and Subject to 2005 PGA Adjustment

SOUTH CAROLINA ELECTRIC & GAS COMPANY

GAS

RATE 34

LARGE GENERAL SERVICE

AVAILABILITY

Available only to those customers having firm requirements and a maximum daily quantity (MDQ) of at least 50 Dekatherms or greater and using the Company's service for industrial manufacturing or large commercial operations. It is not available for resale service.

MAXIMUM DAILY QUANTITY (MDQ)

The actual MDQ shall be the greatest amount of gas delivered to the customer during any day (10:00 a.m. to 10:00 a.m.) of the current billing month.

RATE PER MONTH

Monthly Demand Charge:

First	50 Dekatherms @	\$ 469.50
Excess over 50 Dekatherms @		\$ 5.54 per Dekatherm

Commodity Charge @ _____ \$9.14585 per Dekatherm

DETERMINATION OF BILLING DEMAND

- (a) **Billing Months of November-April:**
The monthly billing demand shall be the greatest of: (1) The actual MDQ; (2) The contract MDQ; or (3) 50 Dekatherms.
- (b) **Billing Months of May-October:**
The monthly billing demand shall be the greatest of: (1) The actual MDQ; (2) 50% of the contract MDQ; or (3) 50% of the highest MDQ occurring during any of the preceding billing months of November-April; or (4) 50 Dekatherms.

MINIMUM CHARGE

The monthly minimum charge shall be the demand charge as determined above.

ADJUSTMENTS FOR RECOVERY OF GAS COSTS

The commodity charges above include gas costs of \$7.94250 per dekatherm. These charges are subject to adjustment by order of the Public Service Commission of South Carolina.

SALES AND FRANCHISE TAX

To the above will be added any applicable sales tax, franchise fee or business license tax which may be assessed by any state or local governmental body.

PAYMENT TERMS

All bills are net and payable when rendered.

TERM OF CONTRACT

Service hereunder shall be provided under a written contract, with a minimum initial term of one year with automatic extensions, unless terminated by either party in accordance with the terms of contract. In the event of a default to the contract, this rate schedule and the General Terms and Conditions will constitute a contract for a term of six months. A separate written contract shall cover each meter at each location.

GENERAL TERMS AND CONDITIONS

The Company's General Terms and Conditions are incorporated by reference and a part of this rate schedule.

Effective For Bills Rendered On and After the First Billing Cycle of November 2005
and Subject to 2005 PGA Adjustment

SOUTH CAROLINA ELECTRIC & GAS COMPANY

GAS

RATE 35

TRANSPORTATION AND STANDBY SERVICE

(Page 1 of 2)

AVAILABILITY

Transportation service is available to any customer who has firm requirements of 50 Dekatherms Maximum daily Quantity (MDQ) or greater and, who owns and delivers gas to the Company at an acceptable point of connection, for delivery by the Company to the customer's regular point of service.

Service will be supplied at the best efforts of the Company and may be restricted from time to time due to operating limitations on the Company's system or from third party restrictions. In the event of such limitations, the transportation service is subordinate to service under all other rate schedules and may be curtailed or interrupted, normally upon not less than two hours advance notice, or, when necessitated by conditions affecting the Company's gas system, upon less than two hours advance notice.

RATE PER MONTH

Transportation Service

Monthly Demand Charge:

First	50 Dekatherms @	\$ 469.50
Excess over	50 Dekatherms @	\$ 5.54 per Dekatherm
Commodity Charge @		\$ 1.20335 per delivered Dekatherm

DETERMINATION OF BILLING DEMAND

- (a) **Billing Months of November-April:**
The monthly billing demand shall be the greatest of: (1) The actual MDQ; (2) The contract MDQ; or (3) 50 Dekatherms.
- (b) **Billing Months of May-October:**
The monthly billing demand shall be the greatest of: (1) The actual MDQ; (2) 50% of the contract MDQ; or (3) 50% of the highest MDQ occurring during any of the preceding billing months of November-April; or (4) 50 Dekatherms.

Standby Service

In addition to the demand charges for transportation service the following charges will apply for gas supplied by the Company.

- (a) **Billing Months of November-April:**
The monthly billing demand shall be the greatest of: (1) The actual MDQ; (2) The contract MDQ; or (3) 50 Dekatherms.
- | | |
|--------------------|--------------------------|
| Demand Charge @ | \$ 6.00 per Dekatherm |
| Commodity Charge @ | \$ 9.14585 per Dekatherm |
- (b) **Billing Months of May-October:**
- | | |
|--------------------|--------------------------|
| Demand Charge @ | None |
| Commodity Charge @ | \$ 9.14585 per Dekatherm |

MINIMUM CHARGE

The monthly minimum charge shall be the demand charges as determined above.

ADJUSTMENTS FOR RECOVERY OF GAS COSTS

The commodity charges above include gas costs of \$7.94250 per dekatherm. These charges are subject to adjustment by order of the Public Service Commission of South Carolina.

DELIVERED GAS QUANTITY

When separate metering is not feasible, the Company shall assume for billing purposes, unless otherwise agreed to, that such metered volumes reflect deliveries under this rate schedule prior to gas received under any other rate schedule.

The quantity of transportation gas received into the Company's system for the customer's account to be delivered to the customer by the Company shall be reduced by 3% in measurement for line loss and unaccounted for gas.

SOUTH CAROLINA ELECTRIC & GAS COMPANY

GAS

RATE 35

TRANSPORTATION AND STANDBY SERVICE

(Page 2 of 2)

DELIVERED GAS QUANTITY

The volume of gas received on a daily basis for customer's account may not equal the volume, less shrinkage, delivered to the customer. The result will be deemed an imbalance. Customer's account will be reviewed at the end of each month, or on termination of Transportation Service or curtailment or discontinuance thereof. If the imbalance is such that the customer has received more gas than was delivered to the Company during the period under review, customer shall be billed for such as standby service. If the imbalance is such that the customer has received less gas than was delivered to the Company, the Company may exercise one of two options, in its sole discretion. The Company may: (1) deliver the excess gas to the customer, over the next calendar month succeeding the review, at such times as the Company shall determine in its sole discretion; or (2) buy excess gas at Company's lowest delivered purchase price in that month from any of Company's suppliers.

LIABILITY

The Company shall not be liable for curtailment of service under this rate schedule or loss of gas of the customer as a result of any steps taken to comply with any law, regulation, or order of any governmental agency with jurisdiction to regulate, allocate or control gas supplies or the rendition of service hereunder, and regardless of any defect in such law, regulation, or order.

Gas shall be and remain the property of the customer while being transported and delivered by the Company. The customer shall be responsible for maintaining all insurance it deems necessary to protect its property interest in such gas before, during, and after receipt by the Company.

The Company shall not be liable for any loss to the customer arising from or out of service under this rate schedule, including loss of gas in the possession of the Company or any other cause, except gross or willful negligence of the Company's own employees or agents. The Company reserves the right to commingle gas of the customer with other supplies.

SALES AND FRANCHISE TAX

To the above will be added any applicable sales tax, franchise fee or business license tax which may be assessed by any state or local governmental body.

PAYMENT TERMS

All bills are net and payable when rendered.

TERM OF CONTRACT

The customer shall execute an Agreement of Service with the Company which shall specify the maximum daily volume of gas to be transported, the period of time that the Company will receive such gas, and all conditions under which delivery to the Company will be accepted and delivery to the customer will be made. The customer must provide the Company with all necessary documentation of ownership and authorization required by any regulatory body with jurisdiction.

GENERAL TERMS AND CONDITIONS

The Company's General Terms and Conditions are incorporated by reference and a part of this rate schedule.

SOUTH CAROLINA ELECTRIC & GAS COMPANY

GAS

RATE 36

GAS LIGHTING

AVAILABILITY

EFFECTIVE FOR BILLS RENDERED ON AND AFTER THE FIRST BILLING CYCLE OF NOVEMBER 2005 THIS SCHEDULE IS CLOSED AND NOT AVAILABLE TO ANY NEW STRUCTURE OR APPLIANCE.

RATE

All lighting service where fixtures are mounted on Company's ornamental poles which are a part of Company's distribution system will be charged for at the following rate per light.

<u>SIZE</u>	<u>Lamp Charges per Month</u>	<u>Average Therms Usage per Month</u>
Two Mantle fixture complete	\$ 24.20	15
Three Mantle fixture complete	\$ 32.03	22
Four Mantle fixture complete	\$ 40.05	29

ADJUSTMENT FOR RECOVERY OF GAS COSTS AND ENVIRONMENTAL LIABILITIES

The commodity charges above include gas costs of \$.87609 per therm and are subject to adjustment by order of the Public Service Commission of South Carolina.

SALES AND FRANCHISE TAX

To the above will be added any applicable sales tax, franchise fee or business license tax which may be assessed by any state or local governmental body.

PAYMENT TERMS

All bills are net and payable when rendered.

TERM OF CONTRACT

Service hereunder shall be provided under written contract, with the initial term of contract of five years and, there after, for one-year periods until terminated by either party on ninety days written notice.

SPECIAL PROVISIONS

The company will furnish, erect, operate and maintain all necessary equipment in accordance with its standard specifications. Non-standard service will be furnished only when the customer pays the difference in costs between such non-standard service and standard service or pays to the Company its normal monthly facility charge based on such difference in costs.

GENERAL TERMS AND CONDITIONS

The Company's General Terms and Conditions are incorporated by reference and a part of this rate schedule.

SOUTH CAROLINA ELECTRIC & GAS COMPANY

GAS

RIDER TO RATES 31, 32V, 32S AND 34

SERVICE FOR AIR CONDITIONING

(Page 1 of 2)

AVAILABILITY

EFFECTIVE FOR BILLS RENDERED ON AND AFTER THE FIRST BILLING CYCLE OF NOVEMBER 2005 THIS SCHEDULE IS CLOSED AND NOT AVAILABLE TO ANY NEW APPLIANCE.

This rider is available to those customers which have installed and are regularly operating a gas-fired central air cooling system or have installed and are regularly operating a gas-fired central combination air cooling and heating system. Service under this rider shall be available subject to the specifications below at customer's request and with Company certification of customer's installed gas-fired central air cooling system or gas-fired central combination air cooling and heating system. It is not available for resale service. At the company's discretion, service offered under this rider may be limited and applied only to those customers currently receiving service under this rider.

INDUSTRIAL AND COMMERCIAL, RATES 31, 33 AND 34

METERING

The volume of gas used for service under this rider will be determined by separate metering equipment installed by the Company. All costs associated with the separate metering are borne by the customer.

Available to those customers qualifying for service under General Service Rates 31 & 33.

SPECIFICATION A - Customer with gas-fired cooling systems.

RATE PER MONTH
(All Months)

Basic Facilities Charge: \$ 11.28

Commodity Charge:
All therms @ \$ 0.91080 per therm

ADJUSTMENTS FOR RECOVERY OF GAS COSTS

The commodity charges above include gas costs of \$.81080 per therm and are subject to adjustment by order of the Public Service Commission of South Carolina.

SPECIFICATION B - Customer with gas-fired Central combination air cooling and heating systems.

RATE PER MONTH
(During the Billing Months of May through October)

Basic Facilities Charge: \$ 11.28

Commodity Charge:
All therms @ \$ 1.23147 per therm

ADJUSTMENTS FOR RECOVERY OF GAS COSTS

The commodity charges above include gas costs of \$.81080 per therm and are subject to adjustment by order of the Public Service Commission of South Carolina.

DEKATHERM BILLING

Customers that have installed chart metering facilities may be billed on a per Dekatherm basis (1Dekatherm = 10 therms). The amount per Dekatherm will be determined by multiplying the above rates by 10.

Available to those customers qualifying for service under Large General Service Rates 34.
Rate 34G - Customer with gas-fired Central combination air cooling and heating systems.

RATE PER MONTH
(All Months)

Commodity Charge:
All therms @ \$ 0.88659 per therm

ADJUSTMENTS FOR RECOVERY OF GAS COSTS

The commodity charges above include gas costs of \$.79425 per therm and are subject to adjustment by order of the Public Service Commission of South Carolina.

SOUTH CAROLINA ELECTRIC & GAS COMPANY

GAS

RIDER TO RATES 31, 32V, 32S AND 34

SERVICE FOR AIR CONDITIONING

(Page 2 of 2)

DEKATHERM BILLING

Customers that have installed chart metering facilities may be billed on a per Dekatherm basis (1 Dekatherm = 10 therms). The amount per Dekatherm will be determined by multiplying the above rates by 10.

RESIDENTIAL RATES 32V & 32S

Available only to residential customers qualifying for service under Firm Residential Service Rate 32V & 32S and having a gas-fired central air cooling system or gas-fired central combination air cooling and heating system using the Company's service in private residences. For apartments or multi-family structures having not more than two (2) dwelling units, gas service for a gas-fired central air cooling system or a gas-fired central combination air cooling and heating system for the entire building may be included in the account of one of the dwelling units. All gas service supplied to the second dwelling unit will be separately metered to comply with the provisions of Rate 32V & 32S.

SPECIFICATION B - Customer with gas-fired central combination air cooling and heating systems.

RATE PER MONTH
(All Months)

Basic Facilities Charge:

\$ 6.64

Commodity Charge:

All therms @

\$1.04582 per therm

ADJUSTMENTS FOR RECOVERY OF GAS COSTS

The commodity charges above include gas costs of \$.87609 per therm and are subject to adjustment by order of the Public Service Commission of South Carolina.

WEATHER NORMALIZATION ADJUSTMENT

An adjustment to commodity charges for the billing months of November - April will be made in accordance with the Weather Normalization Adjustment.

GENERAL

MINIMUM CHARGE

The monthly minimum charge shall be the basic facilities charge as stated above.

SALES AND FRANCHISE TAX

To the above will be added any applicable sales tax, franchise fee or business license tax which may be assessed by any state or local governmental body.

PAYMENT TERMS

All bills are net and payable when rendered.

SPECIAL PROVISIONS

The Company will furnish service in accordance with its standard specifications. Non-standard service will be furnished only when the customer pays the difference in costs between non-standard service and standard service or pays to the Company its normal monthly facility charge based on such difference in costs.

TERMS OF CONTRACT

Contracts shall run continuously from time service is commenced at each location until service to customer is permanently disconnected. A separate contract shall cover each meter at each location.

GENERAL TERMS AND CONDITIONS

The Company's General Terms and Conditions are incorporated by reference and a part of this rate schedule.

Effective For Bills Rendered On and After the First Billing Cycle of November 2005
and Subject to 2005 PGA Adjustment

SOUTH CAROLINA ELECTRIC & GAS COMPANY WEATHER NORMALIZATION ADJUSTMENT

APPLICABILITY

This Weather Normalization Adjustment (WNA) is applicable to and is a part of the Company's firm gas rate schedules 31, 32V, 32S, and 33. The commodity charges per therm for each customer account during the billing months of November through April will be increased or decreased in an amount to the nearest one-thousandth of a cent, as derived by the following formula:

$$\text{WNA} = \frac{\text{WSL} \times \text{R}}{\text{ATH} - \text{BTH}}$$

$$\text{Where: WSL} = \frac{\text{ATH} - \text{BTH}}{\text{ADD}} \times (\text{NDD} - \text{ADD})$$

WNA = Weather Normalization Adjustment factor for a particular account expressed in dollars per therm.

WSL = Weather Sensitive Load which is the difference in the amount of therms that would have been consumed by the customer during normal weather and the amount of therms actually consumed.

R = Approved rate less cost of gas for applicable rate schedule determined as follows:

<u>Rate 32V</u> R= \$.31363	<u>Rate 32S</u> R= \$.37363
<u>Rate 31</u> R= \$.42067	<u>Rate 33</u> R= \$.37067

ATH = Actual therms consumed by customer during current billing period.

BTH = Base load therms which is the average of the therms consumed by customer during the previous billing months of June, July and August. If BTH is greater than ATH, then BTH will equal to ATH. If base load therms cannot be determined, then base load therms will be as follows:

Rate 32V = 18 therms
Rate 31 = 19 therms

Rate 32S = 4 therms
Rate 33 = 739 therms

NDD = Normal heating degree days during customer's billing period authorized by the Commission.

ADD = Actual heating degree days during customer's billing period.

The appropriate revenue related tax factor is to be included in these calculations.

SOUTH CAROLINA ELECTRIC & GAS COMPANY

GAS

**SERVICE FOR COMPRESSED NATURAL GAS VEHICLES
GAS COST DETERMINATION**

APPLICABILITY

This calculation is applicable to and is a part of the Company's Developmental Compressed Natural Gas Vehicle Service.

GAS COST

The cost of gas per therm for the current month shall be determined (to the nearest thousandth of a cent) by this method:

Commodity Cost of Purchased Gas (CCOPG) (to the nearest thousandth of a cent) will be the greater of \$0.29 per therm or the Annual Simple Average Cost of Gas (SACOG) excluding demand or capacity charges.

The appropriate revenue related tax factor is to be included in these calculations.

Effective For Bills Rendered On and After the First Billing Cycle of November 2005
and Subject to 2005 PGA Adjustment

SOUTH CAROLINA ELECTRIC AND GAS COMPANY PURCHASED GAS ADJUSTMENT FIRM GAS ONLY

This adjustment is applicable to and is part of the Company's firm gas rate schedules. The cost will be calculated to the nearest one-thousandths of a cent, as determined by the following formula, and will be included in the base rates to the extent determined reasonable and proper by the Public Service Commission for the succeeding twelve months or shorter period. The formulas below will be calculated annually based on projected information. Differences between firm gas revenues billed and gas expenses at the end of the month will be calculated monthly, for both Demand Charges and Commodity Charges, accumulated and applied to the subsequent annual factor calculation.

A. Demand Charges:

$$\text{Demand Charges per Therm by Class} = \frac{[a-(b+c)] \times \text{Rate Class Percentages}^*}{\text{Firm Sales Therms \& Transp. Volumes by Rate Class}}$$

- (a) Capacity charges and reservation fees for transportation, storage and LNG.
- (b) Released capacity at 75% of the net compensation received from secondary market transactions. (See "Note-1" below)
- (c) Margin Revenue from interruptible rates above \$.02081 per therm. Margin Revenue is the total amount received for such sale less the commodity cost of gas determined in B below.

* The rate class percentages are (Residential Rate 32 -73.30%, General Rates 31, 33 & 36 -22.65% and Large General Rates 34 & 35 - 4.05%) as established in last rate case.

All calculations of Demand Charges by customer class shall be done on an aggregated basis, monthly. The full amount of any Demand Charge calculation shall be credited to the Purchased Gas Adjustment calculation, even if the credit results in a negative Demand Charge for that month.

NOTE-1: "Released Capacity" shall include all transactions which involve the use of gas transportation capacity rights, storage rights or similar off-system rights or assets owned by SCE&G, but only if the cost of those rights or assets is borne by firm gas customers in South Carolina. "Net value received" shall mean the gross compensation received from the "released capacity" transactions, less all transportation charges, taxes or other governmental charges, brokerage fees or commissions, or other costs or charges related to the transaction, including all costs incurred in purchasing natural gas supplies that form part of the transaction.

B. Firm Commodity Benchmark:

$$\text{Where: Firm Gas Cost per Therm} = \frac{(p-d)}{8}$$

- (p) Total variable cost of natural gas (processed or unprocessed), vaporized liquid natural gas, synthetic gas, propane-air mixture, landfill gas, or other source of methane gas or any mixture of these gases entering the Company's system in dollars including any additions or subtractions from Price Risk Adjustment.

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- (d) The cost of gas attributable to all sales made by the Company to customers under an interruptible rate or contract or any Special Market Priced Customers. (See "Note-2" Below)
- (s) Total firm therm sales of gas. Total sales being defined as those sales excluding gas sold under D above recorded on the Company's books in Accounts 480 through 483 per The Uniform System of Accounts for Class A and B Gas Utilities of the National Association of Regulatory Utility Commissioners (NARUC).

NOTE-2: Special Market Priced Gas includes, without limitation, Market Priced Gas sold to CNG customers under SCE&G's Developmental Rate for Compressed Natural Gas and Emergency Gas customers sold under tariff provisions providing for Emergency Gas sales.

The appropriate revenue related tax factor is to be included in the calculation of Demand Charges and the Firm Commodity Benchmark.

C. Alternative Commodity Benchmark Calculation Related to Certain Interruptible Sales

Interruptible sales are priced to reflect the cost of gas supplies available at the time the sales are transacted. The Firm Commodity Benchmark is calculated as a system-wide average at month's end. In some cases, the market price of gas supplies may change within a month such that the Firm Commodity Benchmark plus \$.02081 per therm is higher than the price quoted for specific interruptible sales. In such cases, SCE&G may calculate an Alternative Commodity Benchmark for those interruptible sales whose prices fall below the Firm Commodity Benchmark. SCE&G shall then use that Alternative Commodity Benchmark plus \$.02081 per therm in calculating the Margin Revenue from those sales.

The Alternative Commodity Benchmark –The Alternative Commodity Benchmark shall be calculated using the following formula:

$$\text{Cost of Gas per Therm} = \frac{p}{d}$$

- (p) Total variable cost of gas (of whatever type) entering the Company's system that was purchased, nominated, injected or otherwise obtained to support the interruptible sales whose prices are lower than the Firm Commodity Benchmark.
- (d) The quantity of interruptible sales, in dekatherms, whose prices are lower than the Firm Commodity Benchmark.

The costs and quantities of gas used in such calculation shall be excluded from the calculation of the Firm Commodity Benchmark under Section B, above.

Margin Revenue from Certain Interruptible Sales: In those months in which SCE&G elects to compute an Alternative Commodity Benchmark for certain interruptible sales, it shall use that Alternative Commodity Benchmark to compute Margin Revenue from those interruptible sales and shall include the Margin Revenue so calculated in factor (c) of the Demand Cost calculation under Section A, above.

Whenever SCE&G elects to compute an Alternative Commodity Benchmark for certain interruptible sales, it shall provide written notice thereof to the Commission and the Office of Regulatory Staff, within 30 days of adopting the resulting adjustment to prices and volumes.

Effective On and After The First
Billing Cycle of November 2005

GENERAL TERMS AND CONDITIONS

I. GENERAL

A. Foreword

1. In contemplation of the mutual protection of both South Carolina Electric & Gas Company and its Customers and for the purpose of rendering an impartial and more satisfactory service, the General Terms and Conditions of the Company are hereby set forth and filed with the Public Service Commission of South Carolina, which has jurisdiction over public utilities, so as to read as hereinafter set forth; the same being incorporated by reference in each contract or agreement for service.
2. These Terms and Conditions are supplementary to the Rules and Regulations issued by the South Carolina Public Service Commission covering the operation of gas utilities in the State of South Carolina.
3. These Terms and Conditions may be supplemented for specific customers by contract.
4. South Carolina Electric & Gas Company is referred to herein as "Company", and the user or prospective user is referred to as "Customer". The Public Service Commission of South Carolina is referred to herein as "Commission".

B. Application

1. Provisions of these Terms and Conditions apply to all persons, partnerships, corporations or others designated as Customers who are lawfully receiving gas service from the Company under the prescribed Rate Schedules or contracts filed with the Commission. Receipt of service shall constitute a contract between Customer and Company. No contract may be transferred without the written consent of the Company.
2. **Term of Service** – The rates as prescribed by the Commission are based upon the supply of service to each individual Customer for a period of not less than one year, except as otherwise specifically provided under the terms of the particular Rate Schedule or contract covering such service.
3. **Terms and Conditions** – The Terms and Conditions contained herein are a part of every contract for service entered into by the Company and govern all classes of service where applicable unless specifically modified as a provision or provisions contained in a particular Rate Schedule or contract.
4. **Statement by Agents** – No representative of the Company has authority to modify any rule of the Commission, provisions of Rate Schedules, or to bind the Company by any promise or representation contrary thereto.

II. DEFINITIONS

Except where the context otherwise indicates another or different meaning or intent, the following terms are intended and used and shall be construed to have meanings as follows:

- A. "Day" shall mean period of twenty-four (24) consecutive hours beginning at 10:00 a.m. eastern time or at such other hours as may be designated.

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- B. "Month" or "Billing Month" shall mean the period between any two (2) regular readings of Company's meters which shall be not less than twenty-eight (28) days or more than thirty-four (34) days.
- C. "Year" shall mean a period of 365 days commencing with the day of first delivery of gas hereunder, and each 365 days thereafter except that in a year having a date of February 29, such year shall consist of 366 days.
- D. "BTU" shall mean a British Thermal Unit: the amount of heat required to raise the temperature of one (1) pound of water one degree Fahrenheit (1°F) at sixty degrees Fahrenheit (60° F).
- E. "Therm" shall mean the quantity of heat energy which is 100,000 British Thermal Units.
- F. "Dekatherm" (dt) shall mean the quantity of heat energy which is 1,000,000 British Thermal Units.
- G. "Cubic Foot of Gas" shall mean the amount of gas necessary to fill a cubic foot of space when the gas is at a temperature of sixty degrees Fahrenheit (60° F) and under an absolute pressure of fourteen and seventy-three hundredths pounds per square inch (14.73 psia).
- H. "CCF" shall mean one hundred (100) cubic feet of gas.
- I. "MCF" shall mean one thousand (1,000) cubic feet of gas.
- J. "Natural Gas" or "Gas" shall mean natural gas, processed or unprocessed, vaporized liquid natural gas, synthetic gas, propane-air mixture, landfill gas, other unconventional source of methane gas or any mixture of these gases.
- K. "Point of Connection" shall mean the outlet side of Company' measuring and regulating equipment.
- L. "Premises" shall mean a Customer's building or a portion of a building and contiguous area.
- M. Typical delivery pressure to residential customers will be 7 inches water column or 2 psig. Commercial and Industrial customers will be provided at a delivery pressure of up to 5 psig. Any delivery pressure other than these must be requested in writing and approved by the Company. Only one delivery pressure will be provided per meter location.

III. CONDITIONS OF SERVICE

- A. General – The Customer shall consult with and furnish to the Company such information as the Company may require to determine the availability of the Company's service at a particular location before proceeding with plans for any new or additional gas loads. No new or additional gas loads will be served if it is determined that such service will jeopardize service to existing customers by increasing the total system's firm load requirements above available supplies.

Heating Value – The normal range of heating value will not be less than 950 nor more than 1400 Btu per cubic foot of gas. Cubic Feet shall be converted to therm equivalent, for billing, by application of a fraction, the numerator of which shall be the weighted average BTU content of gas described in II.J. above entering the Company's system for the days representing the days in the billing cycle for the Customer and the denominator of which shall be 1,000. Where heating value by day is obtainable by means of a standard type of recording calorimeter, spectrometer, chromatograph or other approved instrument, then these daily values shall be used to convert cubic feet to the therm equivalent.

B. Installation Requirements – Before piping a premises or purchasing equipment, the Customer shall give the Company notice and shall ascertain from the Company the character of service available at such premises. The Company may specify the content and pressure of the gas to be furnished, the location of the meter, and the point where the service connection shall be made.

Where more than one service is required by the Customer, the Company will provide such additional service upon payment by the Customer to the Company of the charges above the cost of the first service. Each installation shall be a separate account.

All piping and equipment must be installed and maintained in accordance with the applicable codes and requirements of the local, municipal, state, and federal authorities, and the Customer shall keep in good and safe repair and condition all such piping and equipment from the point of connection at the meter assembly with the facilities of the Company. Customer assumes responsibility and liability for damages and injuries caused by failures or malfunction of Customer's equipment.

C. Connection/Reconnection – An inspection by the appropriate jurisdiction must be completed and presented to the Company by the Customer prior to connection or reconnection of gas service on any premises where gas has not previously been served, or inactive for an extended period of time or where the gas piping has been modified or altered or if an unsafe condition exists.

The Customer or an adult representative must be present to admit the Company Representative during a connection/reconnection service visit. A minimum of one natural gas appliance must be connected, operational and ready for use prior to connection/reconnection of gas service. An appliance or device which is found to be unsafe shall be disconnected and the service shall remain disconnected.

D. Limitations or Extensions – Service is supplied only where, in the opinion of the Company, adequate service is available or can be made available under the provisions of these rules.

The Company's obligation to extend its facilities is limited to the assumption of new investment to the extent warranted by the revenue anticipated from the service to be supplied. Where the service to be supplied does not produce revenue sufficient to support the expenditure required to serve it, the Company will determine in each case the amount of payments and form thereof that may be required of the Customer.

The Company shall not be required to extend its distribution and service facilities, for the purpose of rendering gas service to the Customer until satisfactory rights-of-way, easements or permits have been obtained from government agencies and property owners, at the customers expense, to permit the installation, operation and maintenance of the Company's lines and facilities. The Customer in requesting or accepting service thereby grants the Company without charge necessary rights-of-way and privileges for its facilities along, across, and under property controlled by the Customer to the extent that such rights-of-way required or necessary to enable Company to supply service to the Customer and the Customer also grants the Company the right to continue or extend the Company's facilities on, across, or under with necessary rights to serve other Customers. Customers shall maintain such right-of-way so as to grant the Company continued access to its facilities by Company vehicles and other power-operated equipment.

Company will, subject to limitations stated in this Section III.E., and subject to the execution by the applicant and acceptance by Company of a service contract which includes a right-of-way agreement, furnish and install a service line along with standard appurtenances, such as shut-off-valve, regulator and meter, and required service pipe up to 125 feet more or less without cost to the applicant.

F. Safe Access to Customer's Premises – The duly authorized representatives of the Company shall be permitted at any and all reasonable times to inspect, operate and maintain the Company's and the Customer's facilities and equipment for any and all purposes connected with the delivery of service, the determination of connected load and other data to

be used for billing purposes, the determination of Customer load requirements or the exercise of any and all rights under the agreement.

G. Curtailment of Supply – The supply of service is subject to any orders of all duly constituted governmental authorities establishing any priority or limitation to service. Notwithstanding other provisions of the Company's Rate Schedules, the availability of gas service thereunder may be limited or curtailed, due to an insufficient supply of gas available to the Company, in accordance with priorities of service established and ordered by the Commission. (See *Section VII, Limitations or Curtailment and Section VIII, Force Majeure*).

H. Denial or Discontinuance of Service – The Company may refuse or discontinue service and remove the property of the Company without liability to the Customer, or tenants, or occupant of the premises served, for any loss, cost damage or expense occasioned by such refusal, discontinuance or removal, including but not limited to, any of the following reasons:

1. In the event of a condition determined by the Company to be hazardous or dangerous..
2. In the event Customer's equipment is used in such a manner as to adversely affect the Company's service to others.
3. In the event of unauthorized or fraudulent use of Company's service.
4. Unauthorized adjustment of or tampering with Company's equipment.
5. Customer's failure to fulfill his contractual obligations.
6. For failure of the Customer to permit the Company reasonable access to its equipment.
7. For non-payment of bill for service rendered provided that the Company has made reasonable efforts to affect collections.
8. For failure of the Customer to provide the Company with a deposit.
9. For failure of the Customer to furnish permits, certificates, and rights-of-way, as necessary in obtaining service, or in the event such permissions are withdrawn or terminated.
10. For failure of the Customer to comply with reasonable restrictions on the use of service.
11. The Company shall not furnish its service or continue its services to any applicant, who at the time of such application, is indebted or any member of his household is or was indebted under an undisputed bill for service, previously furnished such applicant, or furnished any other member of the applicant's household or business.
12. The Company may terminate a Customer's service should the Customer be in arrears on an account for service at another premises.
13. For the reason that the Customer's use of the utility service conflicts with, or violates orders, ordinances or laws of the State or any subdivision thereof, or of the Commission.

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The Company may discontinue service with notice for reasons (1), (2), (3) and (6) above. For the remainder of the reasons the Customer shall be allowed a reasonable time in which to correct any discrepancy. Failure of the Company to terminate or suspend service at any time after the occurrence of grounds therefore or to resort to any other legal remedy or to exercise any one or more of such alternative remedies, shall not waive or in any manner affect the Company's right to later resort to any or more of such rights or remedies on account of any such ground then existing or which may subsequently occur. The Company shall not in any circumstances be liable to Customers or third parties for failure to terminate or suspend service to any Customer for any reason.

I. Safety Requirements – The Company is required under Regulations of the Commission to lock gas meters in the off position whenever service to a customer is discontinued. The requirement to lock a gas meter is applicable when gas service is turned off. Restoration of gas service under these conditions will require a reconnection call to unlock the gas meter and restore gas service. The reconnection charge will be assessed for all such reconnection calls. The turning on or off of gas meters is to be done by a person duly authorized by the Company only.

J. Reconnection Charge – Where the Company has discontinued service for reasons listed in *Section III. H. and III. I.*, the Customer is subject to a reconnection charge of \$25 in addition to any other charges due and payable to the Company. If a Customer requests that a reconnection be made after normal working hours, the charge is \$35. In cases where both electric and gas services are reconnected at the same time on the same premises for the same Customer, only one charge will be made.

K. Seasonal Block Charge – A charge will apply for customers who disconnect service and subsequently request reconnection of service at the same premise within a 12 month period. This is commonly referred to as a seasonal block. The charge will be based on the number of months the customer is disconnected times the basic facilities charge as stated on the tariffs. In determining the month of disconnection, any number of days disconnected within a month constitutes a whole month of disconnection. If reconnection is requested to be performed after normal business hours as part of a seasonal block, an additional of \$20.00 will be added to the charges as calculated above.

IV. BILLING AND PAYMENT TERMS

A. General – The rates specified in the various service classifications are stated on a monthly basis. Unless extenuating circumstances prevent, the Company will read meters at regular monthly intervals and render bills accordingly. If for any reason a meter is not read, the Company may prepare an estimated bill based on the Customer's average use billed for the preceding 60 days or from other information as may be available. All such bills are to be paid in accordance with the standard payment terms, and are subject to adjustment on the basis of actual use of service as computed from the next reading taken by the Company's representative or for any circumstances known to have affected the quantity of service used. No more than one estimated bill shall be rendered within a 60-day period unless otherwise agreed to by the Customer or allowed by the Commission. All billing errors shall be adjusted in accordance with the Commission's Rules and Regulations.

B. Obligation – The customer is responsible for all charges for gas furnished and for all charges under the agreement until the end of the terms thereof.

All bills shall be due and payable when rendered. Notice and collection of unpaid bills will be in accordance with the current Rules and Regulations of the Commission.

No Claim or demand which the Customer may have against the Company shall be set off or counterclaimed against the payment of any sum of money due the Company by the Customer for services rendered. All such sums shall be paid in accordance with the agreement regardless of any claim or demand.

Should service be terminated, the Customer's deposit shall be applied to reduce or liquidate the account. Service may be restored upon payment of the account, in full, plus the late payment charge set forth below, the reconnection charge set forth above and a deposit up to an amount equal to the total actual bills of the highest two (2) consecutive months based on experience of the preceding twelve (12) months or portions of the year if on a seasonal basis.

- C. **Late Payment Charge** – A late payment charge of one and one half percent (1 ½%) will be added to any balance remaining twenty-five (25) days after the billing date.
- D. **Deposit** – A maximum deposit in an amount equal to an estimated two (2) months (60 days) bill for a new Customer or in an amount equal to the total actual bills of the highest two (2) consecutive months based on the experience of the preceding twelve (12) months or portion of the year if on a seasonal basis may be required from the Customer as security for payment of the account before service is rendered or continued if any of the following conditions exist: (1) the Customer's past payment record to the Company shows delinquent payment practice; (2) a new Customer cannot furnish either a letter of good credit from an acceptable source or an acceptable cosigner of guarantor on the Company's system to guarantee payment; (3) a Customer has no deposit and presently is delinquent in payments; (4) a Customer has had his service terminated for non-payment or fraudulent use. All deposits may be subject to review based on the actual experience of the Customer. The amount of deposit may be adjusted upward or downward to reflect the actual billing experience and payment habits of the Customer.
- E. **Service Charge** – The Company may make reasonable charges for work performed on or services rendered:
 - 1. Upon Customer's request at the Customer's premises when, at the time the request is made, service and equipment provided by the Company is in good working condition and in compliance with these General Terms and Conditions and such other regulations as may be promulgated from time to time by any municipal bureau or other governmental agency having jurisdiction over the Customer's installation or premises;
 - 2. To repair, replace, remove, disconnect or gain access to Company's facilities or equipment where such repair, replacement removal or disconnection is made necessary by the willful action(s) of the Customer, members of the Customer's household or invitees of the Customer; or
 - 3. To repair, replace, remove or gain access to Company's facilities or equipment where such repair, replacement or removal is made necessary by the negligent failure of the Customer to take timely action to correct or to notify the Company or other responsible party to correct conditions which led to the needed repair, replacement or removal, except that such charges shall be apportioned between the Customer and the Company to the extent that the Customer shall only bear that part of the costs which reflect the costs added by the Customer's negligence. Such charges cannot be assessed where the damage is caused by an Act of God except to the extent that the Customer failed timely to mitigate the damages. Such charges may include labor, materials and transportation.

V. COMPANY'S LIABILITY

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The Company will not be liable for damages or injuries sustained by Customer or others, or by the equipment of the Customer or others by reason of the condition or character of Customer's piping and equipment, or the piping and equipment of others on the Customer's premises. The Company will not be responsible for the use, care, or handling of service delivered to the customer after the same passes beyond the point of interconnection of the Company's facilities with that of the Customer. Customer assumes responsibility and liability for damages and injuries caused by failures or malfunction or Customer's equipment.

VI. MEASUREMENT OF SERVICE

A. Measurements – The volume and total heating value of the gas delivered hereunder shall be determined as follows:

1. All volumes delivered shall be corrected to the pressure base of 14.73 psia and temperature base of 60° F. The average absolute atmospheric pressure shall be assumed to be fourteen and seven-tenths (14.7) pounds to the square inch, irrespective of actual elevation or location of the point of delivery above sea level or variations in such atmospheric pressure from time to time.
2. When orifice meters are used, volumes delivered shall be computed in accordance with accepted industry standards
3. Gas volumes will be adjusted for BTU content, pressure, temperature, supercompressibility, specific gravity and any other applicable factors.
4. The temperature of the gas shall be assumed to be 60° F. unless Company elects to install a recording thermometer or temperature correcting device. If a recording thermometer is installed, the arithmetical average of the 24 hour period will be used to determine the temperature correctly.
5. The specific gravity of the gas shall be determined daily by a recording gravimeter or any other instrument of an industry acceptable standard manufacturer.
6. The total heating value of the gas delivered hereunder shall be determined by Company by using a standard type of recording calorimeter or other instrument of an industry acceptable standard manufacturer which shall be located on Company's system and/or its supplier's system, in order that the BTU content of gas delivered hereunder by be properly obtained.

B. Meter Testing on Request of Customer – The Customer may, at any time, upon reasonable notice, make written request of the Company to test the accuracy of the meters in use for his service. No deposit or payments shall be required from the Customer for such meter test if said meter has been in service at least one year without testing at Company's expense; otherwise, the Customer shall deposit the estimated cost of the test; said deposit shall not exceed \$15 without the approval of the Commission. The amount so deposited with the Company shall be refunded or credited to the Customer as part of the settlement of the disputed account if the meter is found, when tested, to register more than two percent (2%) fast or slow, otherwise the deposit shall be retained by the Company.

C. Adjustments for Inaccurate Meters - Where it is determined that the Company's meter is inaccurate or defective by more than 2% error in registration, bills shall be adjusted in accordance with the Commission Rules and Regulations.

VII. LIMITATIONS OR CURTAILMENTS

Notwithstanding other provisions of the Terms and Conditions and Rate Schedules of this tariff, the availability of gas service may be limited or curtailed due to operating conditions or any gas

supply deficiency. During any period when operating conditions or gas supply deficiencies require limitations or curtailment, the Company shall curtail deliveries of gas without discrimination within priority of service categories established by the Commission as follows:

A. Definitions - The definitions of the term used in the Curtailment Plan are as follows:

1. **Residential** - Service to Customers which consists of direct natural gas usage in a residential dwelling of space heating, air conditioning, cooking, water heating, and other residential uses.
2. **Commercial** - Service to Customers engaged primarily in the sale of goods or services including institutions and local, state and federal government agencies for uses other than those involving manufacturing or electric power generation.
3. **Industrial** - Service to Customers engaged primarily in a process which creates or changes raw or unfinished materials into other form or product including the generation of electric power.
4. **Firm Service** - Service from Rate Schedules or contracts under which Seller is expressly obligated to deliver specific volumes within a given time period and which anticipates no interruptions, but which may permit unexpected interruptions in case the supply to higher priority Customers is threatened.
5. **Interruptible Service** - Service from Rate Schedules or contracts under which Seller is not expressly obligated to deliver specific volumes within a given time period, and which anticipates and permits interruption on short notice, or service under Rate Schedules or contracts which expressly or impliedly require installation of alternate fuel capacity.
6. **Plant Protection Gas** - Minimum volumes required to prevent physical harm to the plant facilities or danger to plant personnel when such protection cannot be afforded through the use of an alternate fuel. This includes the protection of such material in process as would otherwise be destroyed, but shall not include deliveries required to maintain plant production.
7. **Feedstock Gas** - Natural gas used as a raw material for its chemical properties in creating an end product.
8. **Process Gas** - Gas used for which alternate fuels, other than another gaseous fuel, are not technically feasible such as applications requiring precise temperature controls and precise flame characteristics.
9. **Boiler Fuel** - Natural gas used as fuel for the generation of steam and internal combustion turbine engines for the generation of electricity.
10. **Alternate Fuel Capacity** - A situation where an alternate fuel could have been utilized whether or not the facilities for such have actually been installed: provided, however, where the use of natural gas is for plant protection, feedstock, or process uses and the only alternate fuel is propane or other gaseous fuel, then the Buyer will be treated as if he had no alternate fuel capability if such fuel is unobtainable for serving fuel needs.
11. **Storage Injection Requirements** - Volumes required by the Company for injection into underground storage, including cushion gas and for liquification, including fuel used for injection in liquification plants, or for such other storage projects which may be developed expressly for the protection of supply or high priority uses.
12. **Company Use Gas** - Fuel used in gas compression, propane-air plants, LNG plants, other gas needed by Company's facilities to furnish the requirements of Customers, together with unaccounted for gas, shall be considered for purposes of this curtailment plan to be in Category 1.
13. **Essential Human Needs** - Natural gas service, which, if denied, would cause shutdown of an operation resulting in closing of an establishment essential to maintaining the health and safety of the general public.
14. **Gas Supply Deficiency** - Any occurrence relating to Company's gas supply which causes company to deliver less than the total requirements of its system, including failures of suppliers to deliver gas for any reason, requirements of gas for system storage, conservation of gas for future delivery, or any other occurrence not enumerated herein which affects Company's gas supply.

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15. Emergency Service – Supplemental deliveries of natural gas that may be required to forestall irreparable injury to life or property including environmental emergencies.

B. Curtailment for Gas Supply Deficiency

In the event of Gas Supply Deficiency on the Company's system, the Company shall require curtailment of service to Customer in accordance with the following procedure.

- (a) The Company shall order curtailment of sales made to Customers purchasing gas under the Company's Rate Schedules or special contracts in descending order in accordance with priority of service categories set forth below. Approved emergency gas is excepted from curtailment.
1. Residential and small commercial Customers (less than 50 Dekatherms on a peak day) and essential human needs Customers where there is no installed or available alternate fuel capability.
 2. Large commercial direct flame requirements (20 Dekatherms or more on a peak day); firm industrial requirements for plant protection, feedstock and process needs, and storage injection requirements.
 - 3A. Firm industrial requirements for uses other than boiler fuel which do not qualify for Category 2.
 - 3B. Firm commercial and industrial boiler fuel requirement up to 1,000 Dekatherms on a peak day.
 - 3C. Interruptible requirements for human need types of facilities such as public buildings, hospitals and laundries.
 - 3D. Interruptible requirements for direct flame applications which can utilize only another gaseous fuel as an alternate.
 - 3E. Interruptible requirements for direct flame applications which utilize a fuel other than a gaseous fuel as an alternate.
 - 3F. Interruptible requirements for boiler fuel use of less than 300 Dekatherms on a peak day.
 4. (LEFT BLANK INTENTIONALLY.)
 5. (LEFT BLANK INTENTIONALLY.)
 6. Interruptible boiler fuel requirements of 300 Dekatherms or more, but less than 1,500 Dekatherms on a peak day, where alternate fuel capabilities can meet such requirements.
 7. Interruptible boiler fuel requirements of 1,500 Dekatherms or more, but less than 3,000 Dekatherms on a peak day, where alternate fuel capabilities can meet such requirements.
 8. Interruptible boiler fuel requirements of 3,000 Dekatherms or more, but less than 10,000 Dekatherms on a peak day, where alternate fuel capabilities can meet such requirements.
 9. Interruptible boiler fuel requirements of 10,000 Dekatherms or more on a peak day, where alternate fuel capabilities can meet such requirements.
 10. Natural gas requirements of Customers who have alternate fuel as their primary source, but use natural gas as a standby fuel.
- (b) Curtailment will be in descending order beginning with Category 10 (i.e. Category 1 is the highest priority).

A determination of the category in which a Customer is placed will be made each year based upon usage in the preceding twelve (12) months ending August 31 and/or current contract as of the same date. The placement of a Customer in a category in accordance with the determination made herein will be effective November 1 of the current year, extending through October 31 of the following year. A moving base period will be used each year with such base period to include the preceding twelve (12) months ending August 31 of the current year. Reclassification in categories will be effective on November 1 of the current year. Where a reclassification is necessary, the affected Customer will be notified of such reclassification prior to November 1 of the current year.

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- (c) Where daily volumes are not available to make the determination of the 50/Dekatherms/day required in Section (b) of the Curtailment Plan, then the daily volume requirements shall be determined by taking the Dekatherms usage of the Customers for any month during the previous twelve (12) month period ending August 31 and dividing that month's use by the number of days during that specific billing cycle and multiplying the result by 1.5. By means of the average daily volume thus obtained, the Customer will be placed in the appropriate category. Where daily volumes for the peak month in the base period are available to make the required determination, then such volumes will be used.
- (d) Any new Customer added during any base period will be placed in the appropriate category by the Company in accordance with the best information available.

VIII. FORCE MAJEURE

In the event Company is unable, wholly or in part, by reason of Force Majeure to carry out its obligation to provide service under its Rate Schedules or contracts, the obligations of Company, so far as they are affected by such Force Majeure, shall be suspended during the continuance of any inability so caused by for no longer period and such cause shall, as far as possible, be remedied with all reasonable dispatch.

The term "Force Majeure" as employed herein shall include but not be limited to acts of God, strikes, lockouts, or other industrial disturbances, acts of the public enemy, wars, blockade, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, extreme weather conditions, storms, floods washouts, arrest and restraints of government and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, the maintaining or repairing or alteration of machinery, equipment structures, or lines of pipe (which maintaining, repairing or alteration shall, however be carried out in such manner as to reasonably minimize practicable curtailments or interruption of deliveries of gas), freezing of wells or lines of pipe, partial or entire failure or depletion of gas wells, partial or complete curtailment of deliveries under Company's gas purchase contracts, inability to obtain rights-of-way or permits or materials, equipment or supplies, and any cause other than those enumerated herein (whether of the kind enumerated or otherwise) not within the control of the person claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome. It is understood and agreed that the settlement or strikes or lockouts shall be entirely within the discretion of the persons affected, and that the above requirement that any Force Majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts when such course is inadvisable in the discretion of the person affected there